

ANNUAL FINANCIAL REPORT

MORGAN COUNTY, TENNESSEE

FOR THE YEAR ENDED JUNE 30, 2016



DIVISION OF LOCAL GOVERNMENT AUDIT



ANNUAL FINANCIAL REPORT
MORGAN COUNTY, TENNESSEE
FOR THE YEAR ENDED JUNE 30, 2016

COMPTROLLER OF THE TREASURY
JUSTIN P. WILSON

DIVISION OF LOCAL GOVERNMENT AUDIT
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This financial report is available at www.comptroller.tn.gov

MORGAN COUNTY, TENNESSEE

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Summary of Audit Findings

Annual Financial Report
Morgan County, Tennessee
For the Year Ended June 30, 2016

Scope

We have audited the basic financial statements of Morgan County as of and for the year ended June 30, 2016.

Results

Our report on Morgan County's financial statements is unmodified.

Our audit resulted in three findings and recommendations, which we have reviewed with Morgan County management. Details of the findings, recommendations, and management's responses are included in the Single Audit section of this report.

Findings

The following are summaries of the audit findings:

OFFICE OF TRUSTEE

- ◆ Bank statements were not reconciled with the general ledger in a timely manner.
-

OFFICE OF SHERIFF

- ◆ The sheriff had not formally documented internal controls.
-

OFFICES OF DIRECTOR OF FINANCE, REGISTER OF DEEDS, AND SHERIFF

- ◆ Duties were not segregated adequately.

INTRODUCTORY SECTION

Morgan County Officials

June 30, 2016

Officials

Don Edwards, County Executive
Joseph Miller, Road Superintendent
Ronnie Wilson, Director of Schools
Cindi Jones, Trustee
Gilford Wilson, Assessor of Property
Cheryl Collins, County Clerk
Pamela Keck, Circuit and General Sessions Courts Clerk
Angela Anderson, Clerk and Master
Sandy Leach-Dalton, Register of Deeds
Glendon Freytag, Sheriff
Gary Howard, Director of Finance

Board of County Commissioners

Don Edwards, County Executive, Chairman
David Hennessee
Terry Jackson
Pat Goad
Michael McGrath
Bill Shannon
David Hamby
Earl Headrick
Freddie Seavers
Mark Sweat

Travis Gosnell
Steve Walls
Randy Roberts
Jerry Zorsch
Dennis Freels
Vera Scarbrough
Fred Snow
Janet Adkisson
Lee Smith

Board of Education

Wade Summers, Chairman
Tony Dagley
Deborah Landrum

Glen Moore
Shawn Phillips
William Ward

Financial Management Committee

Earl Headrick, Chairman
Don Edwards, County Executive
Ronnie Wilson, Director of Schools
Joseph Miller, Road Superintendent

Pat Goad
David Hamby
Janet Adkisson

Audit Committee

Bryan Taylor, Chairman
Carla LaRue

Teresa Ryon
Mickey Tucker

FINANCIAL SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
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NASHVILLE, TENNESSEE 37243-1402
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Independent Auditor's Report

Morgan County Executive and
Board of County Commissioners
Morgan County, Tennessee

To the County Executive and Board of County Commissioners:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the county's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of June 30, 2016, and the respective changes in financial position thereof, and the respective budgetary comparison for the General, Solid Waste/Sanitation, and Highway/Public Works funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note V.B., Morgan County has adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68*, and *Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the schedule of changes in the county's net pension liability and related ratios, schedule of county contributions, schedule of school's proportionate share of the net pension liability, and schedule of funding progress - other postemployment benefits plans on pages 87-94 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Morgan County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), and miscellaneous schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

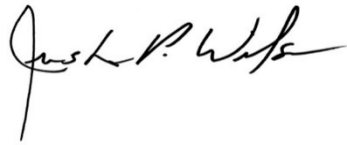
The combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), and miscellaneous schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures performed as described above, the combining and individual nonmajor fund financial statements, budgetary comparison schedules of nonmajor governmental funds and the General Debt Service Fund, combining and individual fund financial statements of the Morgan County School Department (a discretely presented component unit), and miscellaneous schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2016, on our consideration of Morgan County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morgan County's internal control over financial reporting and compliance.

Very truly yours,

A handwritten signature in black ink, appearing to read "Justin P. Wilson". The signature is fluid and cursive, with a long vertical line extending downwards from the end.

Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 9, 2016

JPW/sb

BASIC FINANCIAL STATEMENTS

Exhibit A

Morgan County, Tennessee
Statement of Net Position
June 30, 2016

	Primary Government Governmental Activities	Component Unit Morgan County School Department
<u>ASSETS</u>		
Cash	\$ 4,568	\$ 896
Equity in Pooled Cash and Investments	7,426,673	4,840,623
Accounts Receivable	176,828	132,584
Allowance for Uncollectibles	(58,411)	0
Due from Other Governments	663,453	415,129
Due from Component Units	141,128	0
Property Taxes Receivable	6,652,690	2,939,560
Allowance for Uncollectible Property Taxes	(333,316)	(147,279)
Prepaid Items	127,473	0
Net Pension Asset - Agent Plan	101,964	85,643
Net Pension Asset - Teacher Retirement Plan	0	8,515
Capital Assets:		
Assets Not Depreciated:		
Land	627,952	1,112,193
Assets Net of Accumulated Depreciation:		
Buildings and Improvements	4,482,378	17,717,568
Infrastructure	993,573	0
Other Capital Assets	777,533	2,811,542
Total Assets	<u>\$ 21,784,486</u>	<u>\$ 29,916,974</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pension Changes in Experience	\$ 0	\$ 101,750
Pension Contributions after Measurement Date	347,105	1,369,738
Pension - Other Deferrals	0	111,052
Accumulated Decrease in Fair Value of Hedging Derivatives	1,892,852	0
Total Deferred Outflow of Resources	<u>\$ 2,239,957</u>	<u>\$ 1,582,540</u>
<u>LIABILITIES</u>		
Accounts Payable	\$ 35,016	\$ 0
Accrued Payroll	128,107	0
Accrued Interest Payable	99,964	0
Payroll Deductions Payable	1,257	340,176
Due to Primary Government	0	141,128
Contracts Payable	100,364	0
Retainage Payable	21,317	0
Derivative - Interest Rate Swap	1,892,852	0
Noncurrent Liabilities:		
Due Within One Year	1,713,847	74,623
Due in More Than One Year	16,675,058	765,998
Total Liabilities	<u>\$ 20,667,782</u>	<u>\$ 1,321,925</u>

(Continued)

Exhibit A

Morgan County, Tennessee
Statement of Net Position (Cont.)

	Primary Government Governmental Activities	Component Unit Morgan County School Department
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Current Property Taxes	\$ 5,974,427	\$ 2,639,863
Pension Changes in Experience	143,771	2,096,953
Net Pension Changes in Investment Earnings	99,751	901,658
Pension - Other Deferrals	0	125,429
Total Deferred Inflows of Resources	<u>\$ 6,217,949</u>	<u>\$ 5,763,903</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	\$ 4,939,290	\$ 21,641,303
Restricted for:		
General Government	38,022	0
Administration of Justice	42,563	0
Public Safety	61,082	0
Public Health and Welfare	266,333	0
Highway/Public Works	3,224,423	0
Education	0	1,698,894
Other Purposes	101,964	0
Unrestricted	<u>(11,534,965)</u>	<u>1,073,489</u>
Total Net Position	<u>\$ (2,861,288)</u>	<u>\$ 24,413,686</u>

The notes to the financial statements are an integral part of this statement.

Exhibit B

Morgan County, Tennessee
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Total Governmental Activities	Morgan County School Department
Primary Government:						
Governmental Activities:						
General Government	\$ 1,202,737	\$ 203,779	\$ 50,586	\$ 0	\$ (948,372)	\$ 0
Finance	804,733	443,834	0	0	(360,899)	0
Administration of Justice	874,403	420,354	13,845	0	(440,204)	0
Public Safety	3,241,640	307,069	87,235	112,593	(2,734,743)	0
Public Health and Welfare	3,246,008	1,004,883	245,585	459,475	(1,536,065)	0
Social, Cultural, and Recreational Services	87,277	9,550	4,000	0	(73,727)	0
Agriculture and Natural Resources	52,164	0	0	0	(52,164)	0
Highways	2,726,200	53,939	2,123,079	727,103	177,921	0
Interest on Long-term Debt	863,413	0	0	0	(863,413)	0
Total Primary Government	<u>\$ 13,098,575</u>	<u>\$ 2,443,408</u>	<u>\$ 2,524,330</u>	<u>\$ 1,299,171</u>	<u>\$ (6,831,666)</u>	<u>\$ 0</u>
Component Unit:						
Morgan County School Department	\$ 27,486,324	\$ 211,496	\$ 5,071,899	\$ 0	\$ 0	\$ (22,202,929)
Total Component Units	<u>\$ 27,486,324</u>	<u>\$ 211,496</u>	<u>\$ 5,071,899</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (22,202,929)</u>

(Continued)

Exhibit B

Morgan County, Tennessee
Statement of Activities (Cont.)

				Net (Expense) Revenue and Changes in Net Position	
				Primary Government	Component Unit
					Morgan County School Department
Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
General Revenues:					
Taxes:					
Property Taxes Levied for General Purposes				\$ 4,727,264	\$ 2,752,334
Property Taxes Levied for Solid Waste/Sanitation				832,778	0
Property Taxes Levied for Highway/Public Works				66,632	0
Property Taxes Levied for General Debt Service				608,396	0
Local Option Sales Taxes				926,885	0
Mineral Severance Tax				40,554	0
Other Local Taxes				186,461	66,694
Grants and Contributions Not Restricted to Specific Programs				1,090,452	19,968,153
Unrestricted Investment Income				2,715	9,492
Miscellaneous				105,403	9,609
Total General Revenues				<u>\$ 8,587,540</u>	<u>\$ 22,806,282</u>
Change in Net Position				\$ 1,755,874	\$ 603,353
Net Position, July 1, 2015				<u>(4,617,162)</u>	<u>23,810,333</u>
Net Position, June 30, 2016				<u><u>\$ (2,861,288)</u></u>	<u><u>\$ 24,413,686</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-1

Morgan County, Tennessee
Balance Sheet
Governmental Funds
June 30, 2016

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>ASSETS</u>						
Cash	\$ 0	\$ 3,250	\$ 168	\$ 0	\$ 1,150	\$ 4,568
Equity in Pooled Cash and Investments	1,881,079	268,052	2,966,708	2,139,713	171,121	7,426,673
Accounts Receivable	157,309	19,734	227	0	0	177,270
Allowance for Uncollectibles	(58,411)	0	0	0	0	(58,411)
Due from Other Governments	57,627	5,960	314,757	145,582	139,085	663,011
Due from Other Funds	1,150	0	0	0	0	1,150
Property Taxes Receivable	5,043,668	888,056	71,169	649,797	0	6,652,690
Allowance for Uncollectible Property Taxes	(252,700)	(44,494)	(3,565)	(32,557)	0	(333,316)
Prepaid Items	107,104	9,961	10,408	0	0	127,473
Total Assets	\$ 6,936,826	\$ 1,150,519	\$ 3,359,872	\$ 2,902,535	\$ 311,356	\$ 14,661,108
<u>LIABILITIES</u>						
Accounts Payable	\$ 3,564	\$ 21,842	\$ 0	\$ 0	\$ 9,610	\$ 35,016
Accrued Payroll	92,573	20,591	14,943	0	0	128,107
Payroll Deductions Payable	1,257	0	0	0	0	1,257
Contracts Payable	0	0	0	0	100,364	100,364
Retainage Payable	0	0	0	0	21,317	21,317
Due to Other Funds	0	0	0	0	1,150	1,150
Total Liabilities	\$ 97,394	\$ 42,433	\$ 14,943	\$ 0	\$ 132,441	\$ 287,211
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred Current Property Taxes	\$ 4,529,450	\$ 797,516	\$ 63,913	\$ 583,548	\$ 0	\$ 5,974,427
Deferred Delinquent Property Taxes	235,324	41,434	3,321	30,317	0	310,396

(Continued)

Exhibit C-1

Morgan County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>DEFERRED INFLOWS OF RESOURCES (CONT.)</u>						
Other Deferred/Unavailable Revenue	\$ 30,065	\$ 0	\$ 151,322	\$ 72,624	\$ 0	\$ 254,011
Total Deferred Inflows of Resources	\$ 4,794,839	\$ 838,950	\$ 218,556	\$ 686,489	\$ 0	\$ 6,538,834
<u>FUND BALANCES</u>						
Nonspendable:						
Prepaid Items	\$ 107,104	\$ 9,961	\$ 10,408	\$ 0	\$ 0	\$ 127,473
Restricted:						
Restricted for General Government	38,022	0	0	0	0	38,022
Restricted for Administration of Justice	42,563	0	0	0	0	42,563
Restricted for Public Safety	0	0	0	0	61,082	61,082
Restricted for Public Health and Welfare	0	259,175	0	0	0	259,175
Restricted for Highways/Public Works	0	0	3,084,819	0	0	3,084,819
Committed:						
Committed for Public Safety	5,773	0	0	0	0	5,773
Committed for Public Health and Welfare	1,050	0	0	0	0	1,050
Committed for Social, Cultural, and Recreational Services	21,735	0	0	0	0	21,735
Committed for Highways/Public Works	0	0	31,146	0	0	31,146
Committed for Debt Service	0	0	0	2,216,046	0	2,216,046
Committed for Capital Projects	0	0	0	0	117,833	117,833
Assigned:						
Assigned for General Government	72,413	0	0	0	0	72,413
Assigned for Finance	906	0	0	0	0	906
Assigned for Administration of Justice	248	0	0	0	0	248
Assigned for Public Safety	6,244	0	0	0	0	6,244
Assigned for Public Health and Welfare	6,174	0	0	0	0	6,174

(Continued)

Exhibit C-1

Morgan County, Tennessee
Balance Sheet
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>FUND BALANCES (CONT.)</u>						
Unassigned	\$ 1,742,361	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,742,361
Total Fund Balances	\$ 2,044,593	\$ 269,136	\$ 3,126,373	\$ 2,216,046	\$ 178,915	\$ 7,835,063
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,936,826	\$ 1,150,519	\$ 3,359,872	\$ 2,902,535	\$ 311,356	\$ 14,661,108

The notes to the financial statements are an integral part of this statement.

Exhibit C-2

Morgan County, Tennessee
Reconciliation of the Balance Sheet of Governmental
Funds to the Statement of Net Position
June 30, 2016

Amounts reported for governmental activities in the statement
of net position (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit C-1)		\$	7,835,063
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	627,952	
Add: infrastructure net of accumulated depreciation		993,573	
Add: buildings and improvements net of accumulated depreciation		4,482,378	
Add: other capital assets net of accumulated depreciation		<u>777,533</u>	6,881,436
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: bonds payable	\$	(4,255,000)	
Less: notes payable		(42,913)	
Less: other loans payable		(13,205,000)	
Less: capital leases payable		(425,331)	
Add: capital lease to be paid by contributions from the School Department		141,128	
Less: compensated absences payable		(205,738)	
Less: landfill closure/postclosure care costs		(171,957)	
Less: accrued interest on bonds, notes, other loans, and capital leases		(99,964)	
Less: unamortized premium on debt		<u>(82,966)</u>	(18,347,741)
(3) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			564,407
(4) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	347,105	
Less: deferred inflows of resources related to pensions		<u>(243,522)</u>	103,583
(5) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			<u>101,964</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>(2,861,288)</u></u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-3

Morgan County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>Revenues</u>						
Local Taxes	\$ 4,941,564	\$ 835,437	\$ 107,065	\$ 1,544,789	\$ 0	\$ 7,428,855
Licenses and Permits	60,864	0	0	0	0	60,864
Fines, Forfeitures, and Penalties	106,943	0	0	0	65,178	172,121
Charges for Current Services	886,502	228,773	338	0	32,263	1,147,876
Other Local Revenues	179,726	21,223	54,901	0	0	255,850
Fees Received From County Officials	732,961	0	0	0	0	732,961
State of Tennessee	720,468	37,889	2,602,164	0	288,880	3,649,401
Federal Government	9,296	0	248,018	0	411,563	668,877
Other Governments and Citizens Groups	124,865	0	0	590,355	75,000	790,220
Total Revenues	\$ 7,763,189	\$ 1,123,322	\$ 3,012,486	\$ 2,135,144	\$ 872,884	\$ 14,907,025
<u>Expenditures</u>						
Current:						
General Government	\$ 918,214	\$ 0	\$ 0	\$ 0	\$ 0	\$ 918,214
Finance	824,583	0	0	0	82	824,665
Administration of Justice	820,286	0	0	0	32,181	852,467
Public Safety	3,139,097	0	0	0	24,336	3,163,433
Public Health and Welfare	1,483,099	1,084,541	0	0	0	2,567,640
Social, Cultural, and Recreational Services	83,277	0	0	0	0	83,277
Agriculture and Natural Resources	52,164	0	0	0	0	52,164
Other Operations	185,324	20,224	0	0	0	205,548
Highways	0	0	2,756,028	0	0	2,756,028
Debt Service:						
Principal on Debt	97,916	38,636	0	1,431,836	0	1,568,388
Interest on Debt	13,282	3,484	0	833,782	0	850,548
Other Debt Service	0	0	0	33,724	0	33,724

(Continued)

Exhibit C-3

Morgan County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances
Governmental Funds (Cont.)

	Major Funds				Nonmajor Funds	
	General	Solid Waste / Sanitation	Highway / Public Works	General Debt Service	Other Govern- mental Funds	Total Governmental Funds
<u>Expenditures (Cont.)</u>						
Capital Projects	\$ 0	\$ 0	\$ 0	\$ 0	\$ 792,236	\$ 792,236
Total Expenditures	\$ 7,617,242	\$ 1,146,885	\$ 2,756,028	\$ 2,299,342	\$ 848,835	\$ 14,668,332
Excess (Deficiency) of Revenues Over Expenditures	\$ 145,947	\$ (23,563)	\$ 256,458	\$ (164,198)	\$ 24,049	\$ 238,693
<u>Other Financing Sources (Uses)</u>						
Insurance Recovery	\$ 6,271	\$ 53,213	\$ 2,428	\$ 0	\$ 6,207	\$ 68,119
Transfers In	23,886	0	0	0	100,000	123,886
Transfers Out	(100,000)	0	0	0	(23,886)	(123,886)
Total Other Financing Sources (Uses)	\$ (69,843)	\$ 53,213	\$ 2,428	\$ 0	\$ 82,321	\$ 68,119
Net Change in Fund Balances	\$ 76,104	\$ 29,650	\$ 258,886	\$ (164,198)	\$ 106,370	\$ 306,812
Fund Balance, July 1, 2015	1,968,489	239,486	2,867,487	2,380,244	72,545	7,528,251
Fund Balance, June 30, 2016	\$ 2,044,593	\$ 269,136	\$ 3,126,373	\$ 2,216,046	\$ 178,915	\$ 7,835,063

The notes to the financial statements are an integral part of this statement.

Exhibit C-4

Morgan County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit C-3)		\$	306,812
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	166,601	
Less: current-year depreciation expense		(554,488)	(387,887)
(2) The net effect of various miscellaneous transactions involving capital assets (sales, trade-ins, and donations) is to decrease net position.			
Add: assets donated and capitalized			97,588
(3) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Add: deferred delinquent property taxes and other deferred June 30, 2016	\$	564,407	
Less: deferred delinquent property taxes and other deferred June 30, 2015		(649,083)	(84,676)
(4) The issuance of long-term debt (e.g., bonds, notes, other loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items:			
Add: change in unamortized premium on debt issuances	\$	9,720	
Add: principal payments on bonds		365,000	
Add: principal payments on notes		98,348	
Add: principal payments on other loans		903,000	
Add: principal payments on capital leases		202,040	
Less: contributions from the School Department for capital lease payments		(65,488)	1,512,620
(5) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in accrued interest payable	\$	11,139	
Change in compensated absences payable		(11,835)	
Change in landfill closure/postclosure care costs		115,035	
Change in net pension liability/asset		(66,653)	
Change in deferred outflows related to pensions		11,859	
Change in deferred inflows related to pensions		251,872	311,417
Change in net position of governmental activities (Exhibit B)		\$	<u>1,755,874</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-5

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 4,941,564	\$ 0	\$ 0	\$ 4,941,564	\$ 4,809,232	\$ 4,810,232	\$ 131,332
Licenses and Permits	60,864	0	0	60,864	39,600	39,600	21,264
Fines, Forfeitures, and Penalties	106,943	0	0	106,943	103,950	93,402	13,541
Charges for Current Services	886,502	0	0	886,502	981,050	992,850	(106,348)
Other Local Revenues	179,726	0	0	179,726	108,947	115,151	64,575
Fees Received From County Officials	732,961	0	0	732,961	760,000	760,000	(27,039)
State of Tennessee	720,468	0	0	720,468	601,951	701,551	18,917
Federal Government	9,296	0	0	9,296	0	5,000	4,296
Other Governments and Citizens Groups	124,865	0	0	124,865	239,847	144,847	(19,982)
Total Revenues	\$ 7,763,189	\$ 0	\$ 0	\$ 7,763,189	\$ 7,644,577	\$ 7,662,633	\$ 100,556
<u>Expenditures</u>							
<u>General Government</u>							
County Commission	\$ 62,529	\$ 0	\$ 0	\$ 62,529	\$ 69,080	\$ 64,780	\$ 2,251
County Mayor/Executive	152,456	0	0	152,456	157,612	157,612	5,156
County Attorney	10,136	0	0	10,136	10,500	10,500	364
Election Commission	134,177	(5,654)	0	128,523	134,565	134,565	6,042
Register of Deeds	132,028	(2,800)	2,083	131,311	135,005	135,005	3,694
County Buildings	426,888	(7,500)	24	419,412	414,422	421,790	2,378
<u>Finance</u>							
Accounting and Budgeting	250,431	(1,009)	504	249,926	259,265	259,265	9,339
Property Assessor's Office	192,866	0	372	193,238	203,919	204,204	10,966
Reappraisal Program	24,686	0	0	24,686	34,559	35,112	10,426
County Trustee's Office	172,397	0	0	172,397	174,037	177,862	5,465
County Clerk's Office	184,203	0	30	184,233	193,921	195,921	11,688
<u>Administration of Justice</u>							
Circuit Court	278,306	0	0	278,306	289,641	289,642	11,336
Criminal Court	8,631	0	0	8,631	9,600	9,600	969
General Sessions Court	46,814	(380)	0	46,434	52,703	53,003	6,569
General Sessions Judge	145,243	0	0	145,243	146,216	146,216	973

(Continued)

Exhibit C-5

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Administration of Justice (Cont.)</u>							
Drug Court	\$ 57,854	\$ 0	\$ 0	\$ 57,854	\$ 71,427	\$ 72,927	\$ 15,073
Chancery Court	165,391	(794)	248	164,845	163,150	166,450	1,605
Juvenile Court	36,912	(35)	0	36,877	39,322	39,322	2,445
Courtroom Security	81,135	0	0	81,135	70,410	82,902	1,767
<u>Public Safety</u>							
Sheriff's Department	1,294,664	(6,246)	6,216	1,294,634	1,277,316	1,297,060	2,426
Jail	1,276,839	(6,561)	28	1,270,306	1,256,425	1,282,130	11,824
Juvenile Services	1,375	0	0	1,375	1,000	1,375	0
Fire Prevention and Control	130,710	0	0	130,710	129,284	131,284	574
Civil Defense	21,603	0	0	21,603	18,455	27,184	5,581
Rescue Squad	3,000	0	0	3,000	3,000	3,000	0
Other Emergency Management	366,730	0	0	366,730	379,879	379,879	13,149
County Coroner/Medical Examiner	37,976	0	0	37,976	25,085	41,060	3,084
Other Public Safety	6,200	(350)	0	5,850	7,800	7,800	1,950
<u>Public Health and Welfare</u>							
Local Health Center	56,313	0	0	56,313	42,829	65,587	9,274
Ambulance/Emergency Medical Services	1,405,315	(1,209)	6,174	1,410,280	1,418,873	1,431,698	21,418
Crippled Children Services	5,360	0	0	5,360	5,937	5,937	577
Other Local Health Services	16,111	0	0	16,111	48,557	48,557	32,446
<u>Social, Cultural, and Recreational Services</u>							
Senior Citizens Assistance	4,199	0	0	4,199	4,200	4,200	1
Libraries	78,020	(26)	0	77,994	69,012	77,994	0
Parks and Fair Boards	1,058	(360)	0	698	2,500	2,500	1,802
<u>Agriculture and Natural Resources</u>							
Agricultural Extension Service	38,164	(558)	0	37,606	67,457	67,457	29,851
Soil Conservation	14,000	0	0	14,000	14,000	14,000	0
<u>Other Operations</u>							
Other Economic and Community Development	23,000	0	0	23,000	0	23,000	0
Veterans' Services	24,388	0	0	24,388	15,500	25,500	1,112

(Continued)

Exhibit C-5

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
General Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Other Operations (Cont.)</u>							
Miscellaneous	\$ 137,936	\$ 0	\$ 0	\$ 137,936	\$ 140,800	\$ 140,800	\$ 2,864
<u>Principal on Debt</u>							
General Government	97,916	0	0	97,916	97,917	97,917	1
<u>Interest on Debt</u>							
General Government	13,282	0	0	13,282	13,283	13,283	1
Total Expenditures	<u>\$ 7,617,242</u>	<u>\$ (33,482)</u>	<u>\$ 15,679</u>	<u>\$ 7,599,439</u>	<u>\$ 7,668,463</u>	<u>\$ 7,845,880</u>	<u>\$ 246,441</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 145,947</u>	<u>\$ 33,482</u>	<u>\$ (15,679)</u>	<u>\$ 163,750</u>	<u>\$ (23,886)</u>	<u>\$ (183,247)</u>	<u>\$ 346,997</u>
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 6,271	\$ 0	\$ 0	\$ 6,271	\$ 0	\$ 6,271	\$ 0
Transfers In	23,886	0	0	23,886	23,886	24,614	(728)
Transfers Out	(100,000)	0	0	(100,000)	0	(100,000)	0
Total Other Financing Sources	<u>\$ (69,843)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (69,843)</u>	<u>\$ 23,886</u>	<u>\$ (69,115)</u>	<u>\$ (728)</u>
Net Change in Fund Balance	\$ 76,104	\$ 33,482	\$ (15,679)	\$ 93,907	\$ 0	\$ (252,362)	\$ 346,269
Fund Balance, July 1, 2015	<u>1,968,489</u>	<u>(33,482)</u>	<u>0</u>	<u>1,935,007</u>	<u>1,952,703</u>	<u>1,952,703</u>	<u>(17,696)</u>
Fund Balance, June 30, 2016	<u>\$ 2,044,593</u>	<u>\$ 0</u>	<u>\$ (15,679)</u>	<u>\$ 2,028,914</u>	<u>\$ 1,952,703</u>	<u>\$ 1,700,341</u>	<u>\$ 328,573</u>

The notes to the financial statements are an integral part of this statement.

Exhibit C-6

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 835,437	\$ 0	\$ 0	\$ 835,437	\$ 819,712	\$ 819,712	\$ 15,725
Charges for Current Services	228,773	0	0	228,773	205,000	205,000	23,773
Other Local Revenues	21,223	0	0	21,223	25,000	25,000	(3,777)
State of Tennessee	37,889	0	0	37,889	33,700	33,700	4,189
Total Revenues	\$ 1,123,322	\$ 0	\$ 0	\$ 1,123,322	\$ 1,083,412	\$ 1,083,412	\$ 39,910
<u>Expenditures</u>							
<u>Public Health and Welfare</u>							
Sanitation Management	\$ 103,880	\$ 0	\$ 0	\$ 103,880	\$ 102,811	\$ 104,693	\$ 813
Sanitation Education/Information	35,910	(449)	0	35,461	36,292	36,418	957
Waste Pickup	394,916	(7,697)	10,757	397,976	457,220	446,770	48,794
Convenience Centers	298,708	(3,008)	9,000	304,700	318,068	319,443	14,743
Recycling Center	78,547	(182)	0	78,365	82,569	82,569	4,204
Landfill Operation and Maintenance	172,580	(8,025)	11,172	175,727	144,280	204,561	28,834
<u>Other Operations</u>							
Other Charges	18,804	0	0	18,804	22,000	22,000	3,196
Miscellaneous	1,420	0	0	1,420	2,050	2,050	630
<u>Principal on Debt</u>							
General Government	38,636	0	0	38,636	38,637	38,637	1
<u>Interest on Debt</u>							
General Government	3,484	0	0	3,484	3,485	3,485	1
Total Expenditures	\$ 1,146,885	\$ (19,361)	\$ 30,929	\$ 1,158,453	\$ 1,207,412	\$ 1,260,626	\$ 102,173
Excess (Deficiency) of Revenues Over Expenditures	\$ (23,563)	\$ 19,361	\$ (30,929)	\$ (35,131)	\$ (124,000)	\$ (177,214)	\$ 142,083
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 53,213	\$ 0	\$ 0	\$ 53,213	\$ 0	\$ 53,213	\$ 0
Total Other Financing Sources	\$ 53,213	\$ 0	\$ 0	\$ 53,213	\$ 0	\$ 53,213	\$ 0

(Continued)

Exhibit C-6

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Solid Waste/Sanitation Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
Net Change in Fund Balance	\$ 29,650	\$ 19,361	\$ (30,929)	\$ 18,082	\$ (124,000)	\$ (124,001)	\$ 142,083
Fund Balance, July 1, 2015	239,486	(19,361)	0	220,125	227,693	227,693	(7,568)
Fund Balance, June 30, 2016	\$ 269,136	\$ 0	\$ (30,929)	\$ 238,207	\$ 103,693	\$ 103,692	\$ 134,515

The notes to the financial statements are an integral part of this statement.

Exhibit C-7

Morgan County, Tennessee
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Highway/Public Works Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 107,065	\$ 0	\$ 0	\$ 107,065	\$ 169,336	\$ 169,336	\$ (62,271)
Charges for Current Services	338	0	0	338	0	0	338
Other Local Revenues	54,901	0	0	54,901	104,000	104,000	(49,099)
State of Tennessee	2,602,164	0	0	2,602,164	1,988,765	2,715,868	(113,704)
Federal Government	248,018	0	0	248,018	0	11,812	236,206
Total Revenues	\$ 3,012,486	\$ 0	\$ 0	\$ 3,012,486	\$ 2,262,101	\$ 3,001,016	\$ 11,470
<u>Expenditures</u>							
<u>Highways</u>							
Administration	\$ 136,742	\$ 0	\$ 0	\$ 136,742	\$ 140,787	\$ 143,990	\$ 7,248
Highway and Bridge Maintenance	1,255,497	(374,250)	29,262	910,509	2,557,028	2,553,938	1,643,429
Operation and Maintenance of Equipment	314,924	(13,700)	23,205	324,429	449,386	447,501	123,072
Other Charges	78,421	0	0	78,421	81,600	85,800	7,379
Employee Benefits	29,092	0	0	29,092	29,300	29,300	208
Capital Outlay	941,352	(128,537)	200	813,015	486,000	1,224,915	411,900
Total Expenditures	\$ 2,756,028	\$ (516,487)	\$ 52,667	\$ 2,292,208	\$ 3,744,101	\$ 4,485,444	\$ 2,193,236
Excess (Deficiency) of Revenues Over Expenditures	\$ 256,458	\$ 516,487	\$ (52,667)	\$ 720,278	\$ (1,482,000)	\$ (1,484,428)	\$ 2,204,706
<u>Other Financing Sources (Uses)</u>							
Insurance Recovery	\$ 2,428	\$ 0	\$ 0	\$ 2,428	\$ 0	\$ 2,428	\$ 0
Total Other Financing Sources	\$ 2,428	\$ 0	\$ 0	\$ 2,428	\$ 0	\$ 2,428	\$ 0
Net Change in Fund Balance	\$ 258,886	\$ 516,487	\$ (52,667)	\$ 722,706	\$ (1,482,000)	\$ (1,482,000)	\$ 2,204,706
Fund Balance, July 1, 2015	2,867,487	(516,487)	0	2,351,000	2,462,187	2,462,187	(111,187)
Fund Balance, June 30, 2016	\$ 3,126,373	\$ 0	\$ (52,667)	\$ 3,073,706	\$ 980,187	\$ 980,187	\$ 2,093,519

The notes to the financial statements are an integral part of this statement.

Exhibit D

Morgan County, Tennessee
Statement of Fiduciary Assets and Liabilities
June 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 536,735
Accounts Receivable	81
Due from Other Governments	56,332
Property Taxes Receivable	<u>60,106</u>
Total Assets	<u><u>\$ 653,254</u></u>
<u>LIABILITIES</u>	
Due to Other Taxing Units	\$ 116,438
Due to Litigants, Heirs, and Others	<u>536,816</u>
Total Liabilities	<u><u>\$ 653,254</u></u>

The notes to the financial statements are an integral part of this statement.

MORGAN COUNTY, TENNESSEE

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MORGAN COUNTY, TENNESSEE
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended June 30, 2016

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Morgan County's financial statements are presented in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments.

The following are the more significant accounting policies of Morgan County:

A. Reporting Entity

Morgan County is a public municipal corporation governed by an elected 18-member board. As required by GAAP, these financial statements present Morgan County (the primary government) and its component units. Although required by GAAP, the financial statements of the Morgan County Emergency Communications District, a component unit requiring discrete presentation, were excluded from this report due to materiality calculations; therefore, the effect of its omission did not affect the independent auditor's opinion thereon. The component units discussed below are included in the county's reporting entity because of the significance of their operational or financial relationships with the county.

Discretely Presented Component Units – The following entities meet the criteria for discretely presented component units of the county. They are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the county.

The Morgan County School Department operates the public school system in the county, and the voters of Morgan County elect its board. The School Department is fiscally dependent on the county because it may not issue debt, and its budget and property tax levy are subject to the County Commission's approval. The School Department's taxes are levied under the taxing authority of the county and are included as part of the county's total tax levy.

The Morgan County Emergency Communications District provides a simplified means of securing emergency services through a uniform emergency number for the residents of Morgan County, and the Morgan County Commission appoints its governing body. The district is funded primarily through a service charge levied on telephone services. Before the issuance of most debt instruments, the district must obtain the County Commission's approval. The financial statements of the Morgan County Emergency Communications District were not material to the component units' opinion unit and therefore have been omitted from this report.

The Morgan County School Department does not issue separate financial statements from those of the county. Therefore, basic financial statements of the School Department are included in this report as listed in the table of contents. Complete financial statements of the Morgan County Emergency Communications District can be obtained from its administrative office at the following address:

Administrative Office:

Morgan County Emergency
Communications District
P.O. Box 69
Wartburg, TN 37887

Related Organization – The Morgan County Industrial Development Board is a related organization of Morgan County. The county executive nominates and the Morgan County Commission confirms the board members, but the county's accountability for the organization does not extend beyond making the appointments.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. However, where applicable, interfund services provided and used between functions are not eliminated in the process of consolidation in the Statement of Activities. Governmental activities are normally supported by taxes and intergovernmental revenues. Business-type activities, which rely to a significant extent on fees and charges, are required to be reported separately from governmental activities in government-wide financial statements. However, the primary government of Morgan County does not have any business-type activities to report. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The Morgan County School Department component unit only reports governmental activities in the government-wide financial statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Morgan County issues all debt for the discretely presented Morgan County School Department. There were no debt issues contributed by the county to the School Department during the year ended June 30, 2016.

Separate financial statements are provided for governmental funds and fiduciary funds. Fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary funds financial statements, except for agency funds, which have no measurement focus. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Fund financial statements of Morgan County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, deferred outflow of resources, liabilities, deferred inflow of resources, fund equity, revenues, and expenditures. Funds are organized into three major categories: governmental, proprietary, and fiduciary; however, Morgan County has no proprietary funds to report. An emphasis is placed on major funds within the governmental category.

Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All other governmental funds are aggregated into a single column on the fund financial statements. Fiduciary funds in total are reported in a single column.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they become both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the county considers revenues other than grants to be available if they are collected within 30 days after year-end. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and the revenues are available. Morgan County considers grants and similar revenues to be available if they are collected within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Principal and interest on long-term debt are

recognized as fund liabilities when due or when amounts have been accumulated in the General Debt Service Fund for payments to be made early in the following year.

Property taxes for the period levied, in-lieu-of tax payments, sales taxes, interest, and miscellaneous taxes are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Applicable litigation taxes, state-shared excise taxes, fines, forfeitures, and penalties are not susceptible to accrual since they are not measurable (reasonably estimable). All other revenue items are considered to be measurable and available only when the county receives cash.

Fiduciary funds financial statements are reported using the economic resources measurement focus, except for agency funds, which have no measurement focus, and the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Morgan County reports the following major governmental funds:

General Fund – This is the county’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Solid Waste/Sanitation Fund – This special revenue fund accounts for transactions related to the county’s garbage collection service. Local taxes and general service charges are the foundational revenues of this fund.

Highway/Public Works Fund – This special revenue fund accounts for transactions of the county’s Highway Department. Local and state gasoline/fuel taxes are the foundational revenues of this fund.

General Debt Service Fund – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, Morgan County reports the following fund types:

Capital Projects Fund – The General Capital Projects Fund is used to account for general construction projects of the county and for the receipt of debt issued by Morgan County and contributed to the School Department for various capital projects.

Agency Funds – These funds account for amounts collected in an agency capacity by the constitutional officers, local sales taxes received by the state to be forwarded to the various cities in Morgan County, and property taxes collected for the City of Sunbright. Agency funds are custodial in nature (assets equal liabilities) and do not involve

measurement of results of operations. They do, however, use the accrual basis of accounting to recognize receivables and payables.

The discretely presented Morgan County School Department reports the following major governmental funds:

General Purpose School Fund – This fund is the primary operating fund for the School Department. It is used to account for general operations of the School Department.

School Federal Projects Fund – This special revenue fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – This special revenue fund is used to account for the cafeteria operations in each of the schools. Service charges and federal grants are the foundational revenues of this fund.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

State statutes authorize the government to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposit accounts at state and federal chartered banks and savings and loan associations; repurchase agreements; the State Treasurer's Investment Pool; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes.

The county trustee maintains a cash and internal investment pool that is used by all funds and the discretely presented Morgan County School Department. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Most income from these pooled investments is assigned to the General Fund and to the discretely presented School Department's General Purpose School Fund. Morgan County and the School Department have adopted a policy of reporting U.S. Treasury obligations, U.S. agency obligations, and repurchase agreements with maturities of one year or less when purchased on the balance sheet at

amortized cost. Certificates of deposit are reported at cost. Investments in the State Treasurer's Investment Pool are reported at amortized cost using a Stable Net Asset Value. State statutes require the state treasurer to administer the pool under the same terms and conditions, including collateral requirements, as prescribed for other funds invested by the state treasurer. All other investments are reported at fair value. No investments required to be reported at fair value were held at the balance sheet date.

2. Receivables and Payables

Activity between funds for unremitted current collections outstanding at the end of the fiscal year is referred to as due to/from other funds.

All ambulance and property taxes receivable are shown with an allowance for uncollectibles. The allowance for uncollectibles for the ambulance service receivables reflected in the General Fund consists of various amounts estimated based on the categories of the payee (Medicare, Medicaid, insurance companies, and individuals). The allowance for uncollectible property taxes is equal to 2.71 percent of total taxes levied.

Property taxes receivable are recognized as of the date an enforceable legal claim to the taxable property arises. This date is January 1 and is referred to as the lien date. However, revenues from property taxes are recognized in the period for which the taxes are levied, which is the ensuing fiscal year. Since the receivable is recognized before the period of revenue recognition, the entire amount of the receivable, less an estimated allowance for uncollectible taxes, is reported as deferred inflow of resources as of June 30.

Property taxes receivable are also reported as of June 30 for the taxes that are levied, collected, and reported as revenue during the current fiscal year. These property taxes receivable are presented on the balance sheet as a deferred inflow of resources to reflect amounts not available as of June 30. Property taxes collected within 30 days of year-end are considered available and accrued. The allowance for uncollectible taxes represents the estimated amount of the receivable that will be filed in court for collection. Delinquent taxes filed in court for collection are not included in taxes receivable since they are neither measurable nor available.

Property taxes are levied as of the first Monday in October. Taxes become delinquent and begin accumulating interest and penalty the following March 1. Suit must be filed in Chancery Court between the following February 1 to April 1 for any remaining unpaid taxes. Additional costs attach to delinquent taxes after a court suit has been filed.

Retainage payable in the primary government's nonmajor governmental funds represents amounts withheld from payments made on construction contracts pending completion of the projects. These amounts are held by the county trustee as Equity in Pooled Cash and Investments in the nonmajor governmental funds.

3. **Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as an expenditure when consumed rather than when purchased. Prepaids are offset in the nonspendable fund balance account in governmental funds.

4. **Capital Assets**

Governmental funds do not capitalize the cost of capital outlays; these funds report capital outlays as expenditures upon acquisition.

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life of more than two years and with an initial, individual cost based on the following table. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

<u>Type</u>	<u>Amount</u>
Land and Construction in Progress	\$ 1
Vehicles	5,000
Machinery and Equipment	5,000
Furniture and Fixtures	5,000
Land Improvements	5,000
Intangibles	25,000
Buildings and Improvements	50,000
Infrastructure (Roads and Bridges)	250,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, equipment, and infrastructure of the primary government and the discretely presented School Department are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	3 - 40
Other Capital Assets	3 - 30
Infrastructure	15 - 40

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide statement of Net Position. These items are for pension changes in experience, pension contributions after the measurement date, and the accumulated decrease in fair values of hedging derivatives.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has items that qualify for reporting in this category. Accordingly, the items are reported in the government-wide Statement of Net Position and the governmental funds balance sheet. These items are from the following sources: current and delinquent property taxes, pension changes in experience, pension changes in investment earnings, pension other deferrals, and receivables for various revenues, which do not meet the availability criteria for governmental funds.

6. Compensated Absences

Primary Government

It is the primary government's policy to permit employees to accumulate a limited amount of earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since there is no policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide financial statements for the primary government. A liability for vacation pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements.

Discretely Presented Morgan County School Department

It is the School Department's policy to permit support personnel with at least ten years of service to accumulate a limited amount of earned but unused sick pay benefits, which will be paid to those employees upon separation from service. A liability for sick pay is accrued when incurred in the government-wide financial statements for the School Department. A liability for sick pay is reported in governmental funds only if amounts have matured, for example, as a result of employee resignations and retirements. There is no liability for unpaid accumulated sick leave of professional employees since there is no policy to pay any amounts when those employees separate from service. There is also no liability for unpaid vacation pay for any School Department employees since vacation benefits do not accumulate.

7. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Debt premiums and discounts are deferred and amortized over the life of the new debt using the straight-line method. Debt issuance costs are expensed in the period incurred. In refunding transactions, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the refunded debt or the life of the new debt issued, whichever is shorter.

In the fund financial statements, governmental funds recognize debt premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from

the actual debt proceeds received, are reported as debt service expenditures.

Only the matured portion (the portion that has come due for payment) of long-term indebtedness, including bonds payable, is recognized as a liability and expenditure in the governmental fund financial statements. Liabilities and expenditures for other long-term obligations, including compensated absences, landfill postclosure care costs, net pension liability, and other postemployment benefits, are recognized to the extent that the liabilities have matured (come due for payment) each period.

8. Net Position and Fund Balance

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that does not meet the definition of restricted or net investment in capital assets.

The balance in Restricted for Other Purposes for the primary government (\$101,964), and a portion of the balance of Restricted for Education for the discretely presented School Department (\$94,158) are attributable to Net Pension Assets.

As of June 30, 2016, Morgan County had \$13,769,791 in outstanding debt for capital purposes for the discretely presented Morgan County School Department and \$2,225,000 in outstanding debt that benefits a joint venture industrial development board. This debt is a liability of Morgan County, but the capital assets acquired are reported in the financial statements of the other entities. Therefore, Morgan County has incurred a liability significantly decreasing its unrestricted net position with no corresponding increase in the county's capital assets.

It is the county's policy that restricted amounts would be reduced first followed by unrestricted amounts when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available. Also, it is the county's policy that committed amounts would

be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of these unrestricted fund balance classifications could be used.

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in these funds can be spent. These classifications may consist of the following:

Nonspendable Fund Balance – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance – includes amounts that have constraints placed on the use of the resources that are either (a) externally imposed by creditors, grantors, contributors or laws and regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the County Commission, the county's highest level of decision-making authority and the Board of Education, the School Department's highest level of decision-making authority, and shall remain binding unless removed in the same manner.

Assigned Fund Balance – includes amounts that are constrained by the county's intent to be used for specific purposes, but are neither restricted nor committed (excluding stabilization arrangements). The County Commission makes assignments for the general government and the Board of Education makes assignments for the School Department. Assigned fund balance in the General Fund consists of amounts assigned for encumbrances (\$15,679) and amounts appropriated for use in the 2016-2017 budget (\$70,306). Assigned fund balance in the School Department's General Purpose School Fund consists of amounts assigned for encumbrances (\$492,073) and amounts appropriated for use in the 2016-17 budget (\$285,060).

Unassigned Fund Balance – the residual classification of the General and General Purpose School funds. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General and General Purpose School funds.

E. Pension Plans

Primary Government

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Morgan County's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Morgan County's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Discretely Presented Morgan County School Department

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement Plan and the Teacher Legacy Pension Plan in the Tennessee Consolidated Retirement System, and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the TCRS. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Teacher Retirement Plan and the Teacher Legacy Pension Plan. Investments are reported at fair value.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

Primary Government

Exhibit C-2 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of the governmental funds with the government-wide Statement of Net Position.

Discretely Presented Morgan County School Department

Exhibit I-3 includes explanations of the nature of individual elements of items required to reconcile the balance sheet of the governmental funds with the government-wide Statement of Net Position.

B. Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

Primary Government

Exhibit C-4 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statement of Activities.

Discretely Presented Morgan County School Department

Exhibit I-5 includes explanations of the nature of individual elements of items required to reconcile the net change in fund balances – total governmental funds with the change in net position of governmental activities reported in the government-wide Statements of Activities.

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all governmental funds except the Constitutional Officers - Fees Fund (a special revenue fund), which is not budgeted, and the General Capital Projects Fund, which adopts project length budgets. All annual appropriations lapse at fiscal year end.

The county is required by state statute to adopt annual budgets. Annual budgets are prepared on the basis in which current available funds must be sufficient to meet current expenditures. Expenditures and encumbrances may not legally exceed appropriations authorized by the County Commission and any authorized revisions. Unencumbered appropriations lapse at the end of each fiscal year.

The budgetary level of control is at the major category level established by the County Uniform Chart of Accounts, as prescribed by the Comptroller of the Treasury of the State of Tennessee. Major categories are at the department level (examples of General Fund major categories: County Commission, Board of Equalization, County Mayor/Executive, County Attorney, etc.). Management may make revisions within major categories, but only the County Commission may transfer appropriations between major categories. During the year, several supplementary appropriations were necessary.

The county's budgetary basis of accounting is consistent with GAAP, except instances in which encumbrances are treated as budgeted expenditures. The difference between the budgetary basis and GAAP basis is presented on the face of each budgetary schedule.

At June 30, 2016, Morgan County and the Morgan County School Department reported the following significant encumbrances:

Funds	Description	Amount
School Department		
Major Fund:		
General Purpose School	Technology Equipment	\$ 119,156
General Purpose School	Transportation equipment	292,367

B. Cash Shortage – Prior Year

Office of County Clerk

A special report dated February 10, 2011, for the period July 1, 2009, through December 22, 2010, reported a cash shortage of \$54,611.33 on December 14, 2010. The state Comptroller's Office conducted a special investigation with the assistance of the Tennessee Bureau of Investigation resulting in the above-noted cash shortage. Subsequently, Carol Hamby, the county clerk during the period examined, liquidated the cash shortage. However, Ms. Hamby was also ordered by the Criminal Court of Morgan County to repay \$8,758 to Morgan County for a portion of the extended audit costs associated with the cash shortage. Ms. Hamby has paid \$1,626 toward this amount, leaving a balance owed of \$7,132 as of the date of this report.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Morgan County and the Morgan County School Department participate in an internal cash and investment pool through the Office of Trustee. The county trustee is the treasurer of the county and in this capacity is responsible for receiving, disbursing, and investing most county funds. Each fund's portion of this pool is displayed on the balance sheets or statements of net position as Equity in Pooled Cash and Investments. Cash reflected on the balance sheets or statements of net position represents nonpooled amounts held separately by individual funds.

Deposits

Legal Provisions. All deposits with financial institutions must be secured by one of two methods. One method involves financial institutions that participate in the bank collateral pool administered by the state treasurer. Participating banks determine the aggregate balance of their public fund accounts for the State of Tennessee and its political subdivisions. The amount of collateral required to secure these public deposits must equal at least 105 percent of the average daily balance of public deposits held. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the state treasurer on behalf of the bank collateral pool. The

securities pledged to protect these accounts are pledged in the aggregate rather than against each account. The members of the pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the pool are considered to be insured for purposes of credit risk disclosure.

For deposits with financial institutions that do not participate in the bank collateral pool, state statutes require that all deposits be collateralized with collateral whose market value is equal to 105 percent of the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the county.

Investments

Legal Provisions. Counties are authorized to make direct investments in bonds, notes, or treasury bills of the U.S. government and obligations guaranteed by the U.S. government or any of its agencies; deposits at state and federal chartered banks and savings and loan associations; bonds of any state or political subdivision rated A or higher by any nationally recognized rating service; nonconvertible debt securities of certain federal government sponsored enterprises; and the county's own legally issued bonds or notes. These investments may not have a maturity greater than two years. The county may make investments with longer maturities if various restrictions set out in state law are followed. Counties are also authorized to make investments in the State Treasurer's Investment Pool and in repurchase agreements. Repurchase agreements must be approved by the state Comptroller's Office and executed in accordance with procedures established by the State Funding Board. Securities purchased under a repurchase agreement must be obligations of the U.S. government or obligations guaranteed by the U.S. government or any of its agencies. When repurchase agreements are executed, the purchase of the securities must be priced at least two percent below the fair value of the securities on the day of purchase. The county had no pooled and nonpooled investments as of June 30, 2016.

B. Derivative Instrument

At June 30, 2016, Morgan County had the following derivative instrument outstanding:

Instrument	Type	Objective	Original Notional Amount	Effective Date	Maturity Date	Terms
\$10M Swap	Pay fixed interest rate swap	Variable to synthetic fixed rate swap	\$ 10,000,000	6-7-13	6-1-26	Pay 4.33% receive 70% of LIBOR

The fair value balance and notional amount of the derivative instrument outstanding at June 30, 2016, classified by type, and the changes in fair value using a pay fixed, receive a percentage of LIBOR, pricing model (Level 2 inputs of the GAAP fair value hierarchy) of such derivative instrument for the year then ended as reported in the 2016 financial statements are as follows:

Type	<u>Changes in Fair Value</u>		<u>Fair Value at June 30, 2016</u>		6-30-16
					Notional
	Classification	Amount	Classification	Amount	Amount
Governmental Activities:					
Cash Flow Hedge:					
Pay fixed interest rate swap:	Deferred				
\$10M Swap	Outflow	(\$152,678)	Debt	\$ (1,892,852)	\$ 9,340,000

Derivative Swap Agreement Detail

Under its loan agreement, the Public Building Authority of Blount County, TN, at the request of the county, has entered into an interest rate swap agreement for all of the outstanding Local Government Improvement Bonds, Series A-2-D.

Objective of the Interest Rate Swap. In order to provide a hedge against the potential of rising interest rates and to balance its mixture of variable and fixed rate debt, the county requested the authority, on its behalf, to enter into an interest rate swap in connection with its Series A-2-D variable-rate bonds. The intention of the swap was to effectively change the county's variable interest rate on the bonds to a synthetic fixed rate. The Series A-2-D bonds have since been refunded with a portion of the proceeds of the Series VII-A-3 bonds and the interest rate swap is now associated with the Series VII-A-3 bonds.

Terms. Under the swap, the authority pays the counterparty a fixed payment of 4.33 percent and receives a variable payment computed as 70 percent of the three-month London Interbank Offered Rate (LIBOR). The bonds hedged by the interest rate swap agreement had an original outstanding principal amount of \$10 million. The interest rate swap agreement will not exceed the outstanding principal amount on the associated hedged bonds. The bonds' variable-rates have historically approximated the Securities Industry and Financial Markets Association (the "SIFMA"). The bonds and the related swap agreement both mature on June 1, 2026. As of June 30, 2016, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swap:		
Fixed payment to counterparty	Fixed	4.33 %
Variable payment from counterparty	% of LIBOR	<u>-0.45</u>
Net interest rate swap payments		3.88 %
Variable-rate bond coupon payments		<u>1.42</u>
Synthetic interest rate on bonds		<u><u>5.30 %</u></u>

Fair Value. As of June 30, 2016, the swap had a negative fair value of \$1,892,852. The negative fair value of the swap may be countered by reductions in total interest payments required under the variable rate bond, creating lower synthetic rates. Because the rates on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. The fair value model calculates future cash flows by projecting forward rates, and then discounts those cash flows at their present value.

Credit Risk. As of June 30, 2016, the county was not exposed to credit risk because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the county would be exposed to credit risk in the amount of the swap agreement's fair value. The swap counterparty, Morgan Keegan Financial Products ("MKFP") was rated "A+" by Standard and Poor's as of June 30, 2016, with its Credit Support Provider, Deutsche Bank, rated Baa2/BBB+/BBB+ by Moody's, Standard and Poor's and Fitch, respectively.

Basis Risk. As noted above, the swap exposes the county to basis risk should the rate on the bonds increase to above 70 percent of LIBOR, thus increasing the synthetic rate on the bonds. If a change occurs that results in the rate on the bonds to be below 70 percent of LIBOR, then the synthetic rate on the bonds will decrease.

Termination Risk. The swap agreement contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination provision." The authority or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the authority would be liable to the counterparty for a payment equal to the swap's fair value. Likewise, if the swap has a positive fair value at termination, the counterparty would be liable to the authority for a payment equal to the swap's fair value.

Swap Payments and Associated Debt. As of June 30, 2016, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending June 30	Variable Rate Bonds		Net Interest Rate		Total
	Principal	Interest	Swap Payment		
2017	\$ 710,000	\$ 132,726	\$ 362,180	\$	1,204,906
2018	750,000	122,637	334,648		1,207,285
2019	795,000	111,979	305,565		1,212,544
2020	845,000	100,682	274,737		1,220,419
2021	895,000	88,674	241,970		1,225,644
2022-2026	5,345,000	236,605	645,642		6,227,247
Total	\$ 9,340,000	\$ 793,303	\$ 2,164,742	\$	12,298,045

C. Capital Assets

Capital assets activity for the year ended June 30, 2016, was as follows:

Primary Government

Governmental Activities:

	Balance 7-1-15		Increases		Decreases		Balance 6-30-16
Capital Assets Not Depreciated:							
Land	\$	627,952	\$	0	\$	0	\$ 627,952
Total Capital Assets Not Depreciated	\$	627,952	\$	0	\$	0	\$ 627,952
Capital Assets Depreciated:							
Buildings and Improvements	\$	6,391,018	\$	0	\$	0	\$ 6,391,018
Infrastructure		1,435,826		0		0	1,435,826
Other Capital Assets		5,197,828		264,189		(22,950)	5,439,067
Total Capital Assets Depreciated	\$	13,024,672	\$	264,189	\$	(22,950)	\$ 13,265,911
Less Accumulated Depreciation For:							
Buildings and Improvements	\$	1,712,334	\$	196,306	\$	0	\$ 1,908,640
Infrastructure		394,421		47,832		0	442,253
Other Capital Assets		4,374,134		310,350		(22,950)	4,661,534
Total Accumulated Depreciation	\$	6,480,889	\$	554,488	\$	(22,950)	\$ 7,012,427
Total Capital Assets Depreciated, Net	\$	6,543,783	\$	(290,299)	\$	0	\$ 6,253,484
Governmental Activities Capital Assets, Net	\$	7,171,735	\$	(290,299)	\$	0	\$ 6,881,436

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 121,846
Administration of Justice	41,950
Public Safety	113,775
Public Health and Welfare	127,600
Highway/Public Works	<u>149,317</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 554,488</u></u>

Discretely Presented Morgan County School Department

Governmental Activities:

	Balance 7-1-15	Increases	Decreases	Balance 6-30-16
Capital Assets Not Depreciated:				
Land	\$ 1,112,193	\$ 0	\$ 0	\$ 1,112,193
Total Capital Assets Not Depreciated	<u>\$ 1,112,193</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,112,193</u>
Capital Assets Depreciated:				
Buildings and Improvements	\$ 48,532,539	\$ 0	\$ 0	\$ 48,532,539
Other Capital Assets	13,092,747	324,898	(25,480)	13,392,165
Total Capital Assets Depreciated	<u>\$ 61,625,286</u>	<u>\$ 324,898</u>	<u>\$ (25,480)</u>	<u>\$ 61,924,704</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	\$ 29,683,443	\$ 1,131,528	\$ 0	\$ 30,814,971
Other Capital Assets	9,625,760	980,343	(25,480)	10,580,623
Total Accumulated Depreciation	<u>\$ 39,309,203</u>	<u>\$ 2,111,871</u>	<u>\$ (25,480)</u>	<u>\$ 41,395,594</u>
Total Capital Assets Depreciated, Net	<u>\$ 22,316,083</u>	<u>\$ (1,786,973)</u>	<u>\$ 0</u>	<u>\$ 20,529,110</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 23,428,276</u></u>	<u><u>\$ (1,786,973)</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 21,641,303</u></u>

Depreciation expense was charged to functions of the discretely presented Morgan County School Department as follows:

Governmental Activities:

Instruction	\$ 16,144
Support Services	1,983,465
Operation of Non-instructional Services	<u>112,262</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,111,871</u></u>

D. Committed Construction

At June 30, 2016, the General Capital Projects Fund (a nonmajor governmental fund) had uncompleted construction projects of approximately \$144,416 for water line expansions. These future expenditures are being funded primarily by federal grants.

E. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, was as follows:

Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 1,150

This balance resulted from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur and payments between funds are made.

Due to/from Primary Government and Component Units:

On the government-wide Statement of Net Position, Due from Component Units of \$141,128 is reflected in the governmental activities of the primary government. This amount represents capital lease obligations, which are being retired by the School Department. Of that amount, \$72,312 is not expected to be received within one year.

Interfund Transfers:

Interfund transfers for the year ended June 30, 2016, consisted of the following amounts:

Primary Government

Transfers Out	Transfers In	
	General Fund	Nonmajor Governmental Funds
General Fund	\$ 0	\$ 100,000
Nonmajor governmental funds	23,886	0
Total	\$ 23,886	\$ 100,000

Discretely Presented Morgan County School Department

Transfer Out	Transfer In	
	School Federal Projects Fund	
General Purpose School Fund	\$	24,501

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Capital Leases

On March 31, 2015, Morgan County entered into a four-year lease-purchase agreement for eight police vehicles. The terms of the agreement require total lease payments of \$261,273 plus interest of 5.5 percent. Title to the police vehicles transfers to Morgan County at the end of the lease period. The lease payments are made from the General Fund.

On October 12, 2014, Morgan County entered into a two-year lease-purchase agreement for an ambulance. The terms of the agreement require total lease payments of \$75,997 plus interest of 3.49 percent. Title to the ambulance transfers to Morgan County at the end of the lease period. The lease payments are made from the General Fund.

On March 1, 2013, Morgan County entered into a five-year lease-purchase agreement for a garbage truck. The terms of the agreement require total lease payments of \$193,342 plus interest of 2.92 percent. Title to the garbage truck transfers to Morgan County at the end of the lease period. The lease payments are made from the Solid Waste/Sanitation Fund.

On April 7, 2008, Morgan County entered into a ten-year lease-purchase agreement for the School Department for football field lighting improvements for

various school facilities. The terms of the agreement require total lease payments of \$601,414 plus interest of 2.63 percent. Title to the equipment transfers to the School Department immediately upon acceptance of each item.

The assets acquired through capital leases outstanding as of June 30, 2016, are as follows:

Asset	Governmental Activities	
	Primary Government	School Department
Other Capital Assets	\$ 530,612	\$ 684,414
Less: Accumulated Depreciation	(167,441)	(541,828)
Total Book Value	<u>\$ 363,171</u>	<u>\$ 142,586</u>

Future minimum lease payments and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

Year Ending June 30	Governmental Funds
2017	229,305
2018	189,793
2019	35,844
Total Minimum Lease Payments	<u>\$ 454,942</u>
Less: Amount Representing Interest	<u>(29,611)</u>
Present Value of Minimum Lease Payments	<u>\$ 425,331</u>

G. Long-term Obligations

Primary Government

General Obligation Bonds, Notes, and Other Loans

Morgan County issues general obligation bonds and other loans to provide funds for the acquisition and construction of major capital facilities for the primary government and the discretely presented School Department. Capital outlay notes are also issued to fund capital facilities and other capital outlay purchases, such as equipment.

General obligation bonds, capital outlay notes, and other loans are direct obligations and pledge the full faith and credit of the government. General obligation bonds, capital outlay notes, and other loans outstanding were issued for original terms of up to 15 years for bonds, seven years for notes, and up to 20 years for other loans. Repayment terms are generally structured with increasing amounts of principal maturing as interest requirements decrease

over the term of the debt. All bonds, notes, and other loans included in long-term debt as of June 30, 2016, will be retired from the General Debt Service Fund.

General obligation bonds, capital outlay notes, other loans, and capital leases outstanding as of June 30, 2016, for governmental activities are as follows:

Type	Interest Rate	Final Maturity	Original Amount of Issue	Balance 6-30-16
General Obligation Bonds	2 to 3 %	4-1-26	\$ 6,400,000	\$ 4,255,000
Capital Outlay Notes	4.25	12-1-17	180,000	42,913
Other Loans - Fixed Rate	4.25 to 6	6-1-27	2,500,000	2,225,000
Other Loans - Variable Rate	Variable	5-25-29	12,095,000	10,980,000
Capital Leases	2.63 to 5.5	9-30-18	1,132,026	425,331

Morgan County has entered into loan agreements with the Sevier County Public Building Authority, Blount County Public Building Authority, and the City of Clarksville Public Building Authority (PBAs) to finance capital projects for Morgan County and the discretely presented Morgan County School Department. Under the loan agreements, the PBAs issued bonds and made the proceeds available for loan to Morgan County. In addition to repaying the loans, the county pays various other fees (trustee, debt remarketing, etc.) in connection with the variable rate loans. The following table summarizes loan agreements outstanding at June 30, 2016:

Description	Original Amount of Loan Agreement	Outstanding Principal 6-30-16	Interest Type	Interest Rates as of 6-30-16	Approximate Fee Rates as of 6-30-16
Blount County PBA:					
Series B-13-A	\$ 1,750,000	\$ 1,475,000	Fixed	5.6 to 6 %	N/A
Series B-20-A	750,000	750,000	Fixed	4.25 to 5	N/A
City of Clarksville PBA:					
Series 2009	2,000,000	1,555,000	Variable	0.46	0.66 %
Sevier County PBA:					
Series VII-A-3	10,095,000	<u>9,425,000</u>	Variable	5.3 (1)	0.25
Total		<u>\$ 13,205,000</u>			

(1) This is the synthetic interest rate under a swap agreement that was entered into in connection with the debt. See Note IV.B., Derivative Instrument.

The annual requirements to amortize all general obligation bonds, notes, and other loans outstanding as of June 30, 2016, including interest payments and other loan fees, are presented in the following tables:

Year Ending June 30	Bonds		
	Principal	Interest	Total
2017	\$ 375,000	\$ 112,235	\$ 487,235
2018	385,000	104,735	489,735
2019	390,000	96,073	486,073
2020	410,000	86,810	496,810
2021	420,000	76,560	496,560
2022-2026	2,275,000	204,850	2,479,850
Total	\$ 4,255,000	\$ 681,263	\$ 4,936,263

Year Ending June 30	Notes		
	Principal	Interest	Total
2017	\$ 28,307	\$ 1,527	\$ 29,834
2018	14,606	311	14,917
Total	\$ 42,913	\$ 1,838	\$ 44,751

Year Ending June 30	Other Loans			
	Principal	Interest (1)	Other Fees	Total
2017	\$ 958,000	\$ 629,078	\$ 33,826	\$ 1,620,904
2018	1,002,000	582,038	31,445	1,615,483
2019	1,077,000	532,785	28,937	1,638,722
2020	1,131,000	479,174	26,285	1,636,459
2021	1,212,000	422,894	23,480	1,658,374
2022-2026	7,024,000	1,147,286	69,385	8,240,671
2027-2029	801,000	19,094	6,053	826,147
Total	\$ 13,205,000	\$ 3,812,349	\$ 219,411	\$ 17,236,760

(1) Includes payments under swap agreement discussed in Note IV.B., Derivative Instrument.

There is \$2,216,046 available in the General Debt Service Fund to service long-term debt. Debt per capita, including bonds, notes, other loans, and capital leases totaled \$815, based on the 2010 federal census.

The School Department is currently servicing some of the debt issued on its behalf by the primary government as noted in the table below. This debt is reflected in the government-wide financial statements as Due to the Primary Government in the financial statements of the School Department and as Due from Component Units in the financial statements of the primary government.

<u>Description of Indebtedness</u>	<u>6-30-16</u>
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Capital Lease

Payable through General Purpose School Fund

Football Field Lighting	\$ 141,128
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During the year, the School Department contributed \$75,986 to the primary government's General Debt Service Fund to service principal and interest on this lease. Also, during the year, the School Department contributed \$514,369 to the primary government's General Debt Service Fund to be applied toward the retirement of other school related debt.

Changes in Long-term Obligations

Long-term obligations activity for the year ended June 30, 2016, was as follows:

Governmental Activities:

	Bonds	Notes	Other Loans
Balance, July 1, 2015	\$ 4,620,000	\$ 141,261	\$ 14,108,000
Additions	0	0	0
Reductions	(365,000)	(98,348)	(903,000)
Balance, June 30, 2016	<u>\$ 4,255,000</u>	<u>\$ 42,913</u>	<u>\$ 13,205,000</u>
Balance Due Within One Year	<u>\$ 375,000</u>	<u>\$ 28,307</u>	<u>\$ 958,000</u>

	Capital Leases	Compensated Absences	Landfill Postclosure Care Costs
Balance, July 1, 2015	\$ 627,371	\$ 193,903	\$ 286,992
Additions	0	124,971	2,039
Reductions	(202,040)	(113,136)	(117,074)
Balance, June 30, 2016	<u>\$ 425,331</u>	<u>\$ 205,738</u>	<u>\$ 171,957</u>
Balance Due Within One Year	<u>\$ 210,217</u>	<u>\$ 123,443</u>	<u>\$ 18,880</u>

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 18,305,939
Add: Unamortized Premium on Debt	82,966
Less: Balance Due Within One Year	<u>(1,713,847)</u>

Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 16,675,058</u>
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Compensated absences will be paid from the employing funds, primarily the General, Solid Waste/Sanitation, and Highway/Public Works funds. Landfill postclosure care costs will be paid from the Solid Waste/Sanitation Fund.

Discretely Presented Morgan County School Department

Changes in Long-term Obligations

Long-term obligations activity for the discretely presented Morgan County School Department for the year ended June 30, 2016, was as follows:

Governmental Activities:

	Other Postemployment Benefits	Termination Benefits	Compensated Absences
Balance July 1, 2015	\$ 514,545	\$ 146,000	\$ 114,838
Additions	209,923	0	27,641
Reductions	<u>(180,190)</u>	<u>(68,000)</u>	<u>(50,921)</u>
Balance June 30, 2016	<u>\$ 544,278</u>	<u>\$ 78,000</u>	<u>\$ 91,558</u>
Balance Due Within One Year	<u>\$ 0</u>	<u>\$ 38,000</u>	<u>\$ 36,623</u>

	Net Pension Liability (Asset) Teacher Legacy Plan *
Balance July 1, 2015	\$ (48,605)
Additions	4,292,322
Reductions	<u>(4,116,932)</u>
Balance June 30, 2016	<u>\$ 126,785</u>
Balance Due Within One Year	<u>\$ 0</u>

* - The Teacher Legacy Plan has a net asset balance on July 1, 2015.

Analysis of Noncurrent Liabilities Presented on Exhibit A:

Total Noncurrent Liabilities, June 30, 2016	\$ 840,621
Less: Balance Due Within One Year	<u>(74,623)</u>
Noncurrent Liabilities - Due in More Than One Year - Exhibit A	<u>\$ 765,998</u>

These long-term obligations will be paid from the employing funds, primarily the General Purpose School and School Federal Projects funds.

H. On-Behalf Payments – Discretely Presented Morgan County School Department

The State of Tennessee pays health insurance premiums for retired teachers on-behalf of the Morgan County School Department. These payments are made by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan. Both of these plans are administered by the State of Tennessee and reported in the state's Comprehensive Annual Financial Report. Payments by the state to the Local Education Group Insurance Plan and the Medicare Supplement Plan for the year ended June 30, 2016, were \$45,883 and \$15,750, respectively. The School Department has recognized these on-behalf payments as revenues and expenditures in the General Purpose School Fund.

V. OTHER INFORMATION

A. Risk Management

Primary Government

Morgan County carries commercial insurance for risks of loss, including general liability, property, casualty, workers' compensation, and employee health. Retirees are not allowed to participate in the health plan. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

Discretely Presented Morgan County School Department

The discretely presented Morgan County School Department participates in the Local Education Group Insurance Fund (LEGIF), a public entity risk pool established to provide a program of health insurance coverage for employees of local education agencies. In accordance with Section 8-27-301, *Tennessee Code Annotated (TCA)*, all local education agencies are eligible to participate. The LEGIF is included in the Comprehensive Annual Financial Report of the State of Tennessee, but the state does not retain any risk for losses by this fund. Section 8-27-303, *TCA*, provides for the LEGIF to be self-sustaining through member premiums.

The School Department also participates in the Tennessee Risk Management Trust (TN-RMT), which is a public entity risk pool created under the auspices of the Tennessee Governmental Tort Liability Act to provide governmental insurance coverage. The School Department pays an annual premium to the TN-RMT for its general liability, property, casualty, and workers' compensation insurance coverage. The creation of the TN-RMT provides for it to be self-sustaining through member premiums.

B. Accounting Changes

Provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*; Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*, Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and Statement No. 79, *Certain External Investment Pools and Pool Participants* became effective for the year ended June 30, 2016.

GASB Statement No. 72, established general principles for measuring fair value and standards of accounting and financial reporting for assets and liabilities measured at fair value. This standard supersedes previous statements as they relate to measuring fair value of certain assets and liabilities.

GASB Statement No. 73, established accounting and reporting requirements for pensions that are not administered through a trust account and also addresses changes made to Statements No. 67 and No. 68. The changes to Statements No. 67 and No. 68 require new RSI disclosures concerning plan investments and address specific payables to defined benefit plans.

GASB Statement No. 76, addresses changes made to the hierarchy of generally accepted accounting principles. This standard supersedes Statement No. 55 and reduces the hierarchy from four to two categories.

GASB Statement No. 79, addresses issues related to certain external investment pools and pool participants because of changes in Security and Exchange rules relative to money market funds. This standard establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost rather than fair value for financial reporting purposes standards.

C. Change in Administration

Director of Schools, Dr. Edward Diden, resigned June 30, 2015, and was succeeded by Ronnie Wilson effective July 1, 2015.

D. Contingent Liabilities

The Morgan County School System is one of forty-five Tennessee school districts that are members of the Sweetwater Consortium. The consortium was formed in 2012 to negotiate costs with vendors for providing telephone and internet services to member schools, and awarded a contract to Education Networks of America (ENA). The Federal Government subsidizes the costs of these services through the Federal Communications Commission's (FCC) E-Rate Program. The E-Rate program is managed by Universal Services Administration Company (USAC). Another service provider filed a lawsuit in 2012 challenging the contract awarded by the consortium, which resulted in the withholding of E-Rate funding. The case has been heard by an appeals board and members are awaiting a ruling. If the ruling is favorable for the consortium, then E-Rate funding will be reimbursed by the federal government. If the ruling is unfavorable for the consortium, then a hearing before the FCC will be granted. Consortium members could be required to reimburse ENA for the costs of any services not reimbursed by the E-Rate program. The Morgan County School System's share of these costs is estimated at approximately \$618,044.

There are several other pending lawsuits in which the county and the discretely presented School Department are involved. Management, based on information from attorneys for the county and the School Department, estimates that the potential claims not covered by insurance resulting from such litigation would not materially affect the financial statements of the county and the School Department.

E. Landfill Closure/Postclosure Care Costs

Morgan County has active permits on file with the state Department of Environment and Conservation for one sanitary landfill and a demolition landfill. The county has provided financial assurances for estimated closure and postclosure liabilities as required by the State of Tennessee. These financial assurances are on file with the Department of Environment and Conservation.

State and federal laws and regulations require Morgan County to place a final cover on its sanitary landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the county reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Morgan County closed its sanitary landfill in 1995. The \$171,957 reported as postclosure care liability at June 30, 2016, represents amounts based on what it would cost to perform all postclosure care in 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

F. Joint Ventures

The Ninth Judicial District Drug Task Force (DTF) is a joint venture formed by an interlocal agreement between the district attorney general of the Ninth Judicial District, Meigs, Morgan, Loudon, and Roane counties, and various cities within this district. The purpose of the DTF is to provide multi-jurisdictional law enforcement to promote the investigation and prosecution of drug-related activities. Funds for the operations of the DTF come primarily from federal grants, drug fines, and the forfeiture of drug-related assets to the DTF. The DTF is overseen by the district attorney general and is governed by a board of directors including the district attorney general, sheriffs, and police chiefs of participating law enforcement agencies within each judicial district. Morgan County made no contributions to the DTF for the year ended June 30, 2016, and does not have any equity interest in this joint venture. Complete financial statements for the DTF can be obtained from its administrative office at the following address:

Administrative Office:

Office of District Attorney General
Ninth Judicial District
P.O. Box 703
Kingston, TN 37763

Morgan County entered into an agreement with the counties of Cumberland and Roane to establish an Industrial Development Board to purchase land for the development of a joint industrial park. Cumberland, Morgan, and Roane counties jointly own the park. The agreement established a nine-member board with each county appointing three members and having responsibility for one-third of the entity's funding. Morgan County made no contributions to the board for the year ended June 30, 2016. Complete financial statements for the Industrial Development Board can be obtained from its administrative office at the following address:

Administrative Office:

The Industrial Development Board of the Counties of
Cumberland, Morgan, and Roane, Tennessee
34 South Main Street
Crossville, TN 38555

G. Retirement Commitments

1. Tennessee Consolidated Retirement System (TCRS)

Primary Government

General Information About the Pension Plan

Plan Description. Employees of Morgan County and non-certified employees of the discretely presented Morgan County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprised 54.35 percent and the non-certified employees of the discretely presented School Department comprised 45.65 percent of the plan based on contribution data. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at [w-ww.treasury.tn.gov/tcrs](http://www.treasury.tn.gov/tcrs).

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available to vested members at age 55. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria.

Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member

who leaves employment may withdraw their employee contributions plus any accumulated interest.

Employees Covered by Benefit Terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefits	174
Inactive Employees Entitled to But Not Yet Receiving Benefits	458
Active Employees	335
Total	<u><u>967</u></u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees contribute five percent of their salary. Morgan County makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2015, the Actuarial Determined Contribution (ADC) for Morgan County was \$621,625 based on a rate of 7.77 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Morgan County's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Morgan County's net pension liability (asset) was measured as of June 30, 2015, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability as of the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates were based on actual experience from the June 30, 2012, actuarial experience study, adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from Morgan County will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance, July 1, 2014	\$ 16,709,615	\$ 17,144,195	\$ (434,580)
Changes for the Year:			
Service Cost	\$ 638,132	\$ 0	\$ 638,132
Interest	1,270,858	0	1,270,858
Differences Between Expected and Actual Experience	(126,191)	0	(126,191)
Contributions-Employer	0	621,625	(621,625)
Contributions-Employees	0	400,020	(400,020)
Net Investment Income	0	530,200	(530,200)
Benefit Payments, Including Refunds of Employee Contributions	(805,944)	(805,944)	0
Administrative Expense	0	(16,019)	16,019
Other Changes	0	0	0
Net Changes	\$ 976,855	\$ 729,882	\$ 246,973
Balance, June 30, 2015	\$ 17,686,470	\$ 17,874,077	\$ (187,607)

Allocation of Agent Plan Changes in the Net Pension Liability (Asset)

		Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Primary Government	54.35%	\$ 9,612,596	\$ 9,714,561	\$ (101,964)
School Department	45.65%	8,073,874	8,159,516	(85,643)
Total		\$ 17,686,470	\$ 17,874,077	\$ (187,607)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the net pension liability (asset) of Morgan County calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
<u>Morgan County</u>	<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>

Net Pension Liability \$ 2,116,545 \$ (187,607) \$ (2,097,910)

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions

Pension Expense. For the year ended June 30, 2016, Morgan County recognized pension expense of \$39,872.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, Morgan County reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 264,528
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	610,482	794,017
Contributions Subsequent to the Measurement Date of June 30, 2015 (1)	642,686	N/A
Total	<u>\$ 1,253,168</u>	<u>\$ 1,058,545</u>

(1) The amount shown above for “Contributions Subsequent to the Measurement Date of June 30, 2016,” will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Allocation of Agent Plan Deferred Outflows of Resources and
Deferred Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government	\$ 678,902	\$ 575,319
School Department	574,266	483,226
Total	<u>\$ 1,253,168</u>	<u>\$ 1,058,545</u>

Amounts reported as deferred outflows of resources, with the exception of contributions subsequent to the measurement date, and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (191,814)
2018	(191,814)
2019	(191,814)
2020	127,383
2021	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

Discretely Presented Morgan County School Department

Non-certified Employees

General Information About the Pension Plan

Plan Description. As noted above under the primary government, employees of Morgan County and non-certified employees of the discretely presented Morgan County School Department are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The primary government employees comprise 54.35 percent and the non-certified employees of the discretely presented School Department comprise 45.65 percent of the plan based on contribution data.

Certified Employees

Teacher Retirement Plan

General Information About the Pension Plan

Plan Description. Teachers of the Morgan County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan is closed to new membership. Teachers with membership in the TCRS after June 30, 2014, are provided with pensions through a legally separate plan referred to as the Teacher Retirement Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members are eligible to retire with an unreduced benefit at age 65 with five years of service credit or pursuant to the rule of 90 in which the member's age and service credit total 90. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 60 or pursuant to the rule of 80. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. Members who leave employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Retirement Plan, benefit terms and conditions, including COLA, can be

adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly or by automatic cost controls set out in law. Teachers are required to contribute five percent of their salary to the plan. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. Per the statutory provisions governing TCRS, the employer contribution rate cannot be less than four percent, except in years when the maximum funded level, approved by the TCRS Board of Trustees, is reached. By law, employer contributions for the Teacher Retirement Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions for the year ended June 30, 2016, to the Teacher Retirement Plan were \$27,993, which is four percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liabilities (Assets). At June 30, 2016, the Morgan County School Department reported an asset of \$8,515 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2016, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The Morgan County School Department's proportion of the net pension asset was based on the Morgan County School Department's share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2016, the Morgan County School Department's proportion was .211662 percent.

Pension Expense. For the year ended June 30, 2016, the Morgan County School Department recognized pension expense of \$11,159.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Morgan County School Department reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 0	\$ 2,772
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	688	0
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	27,993	N/A
Total	<u>\$ 28,681</u>	<u>\$ 2,772</u>

The Morgan County School Department's employer contributions of \$27,993, reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease (increase) of net pension liability (asset) in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (59)
2018	(59)
2019	(59)
2020	(59)
2021	(231)
Thereafter	(1,617)

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustment for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return		Percentage Target Allocations	
U.S. Equity Developed Market	6.46	%	33	%
International Equity Emerging Market	6.26		17	
International Equity Private Equity and Strategic Lending	6.40		5	
U.S. Fixed Income	4.61		8	
Real Estate	0.98		29	
Short-term Securities	4.73		7	
	0.00		1	
Total			100	%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Morgan County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Morgan County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability	\$	1,510	\$	(8,515)	\$	(15,868)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

Teacher Legacy Pension Plan

General Information About the Pension Plan

Plan Description. Teachers of the Morgan County School Department with membership in the TCRS before July 1, 2014, are provided with pensions through the Teacher Legacy Pension Plan, a cost-sharing multiple-employer pension plan administered by the TCRS. The Teacher Legacy Pension Plan closed to new membership on June 30, 2014, but will continue providing benefits to existing members and retirees. Beginning July 1, 2014, the Teacher Retirement Plan became effective for teachers employed by LEAs after June 30, 2014. The Teacher Retirement Plan is a separate cost-sharing, multiple-employer defined benefit plan. The TCRS was created by state statute under *Tennessee Code Annotated (TCA)*, Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of all employer pension plans in the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided. TCA, Title 8, Chapters 34-37 establish the benefit terms and can be amended only by the Tennessee General Assembly. Members of the Teacher Legacy Pension Plan are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. A reduced early retirement benefit is available to vested members at age 55. Members are vested with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced ten percent and include projected service credits. A variety of death benefits is available under various eligibility criteria. Member and beneficiary annuitants are entitled to an automatic cost of living

adjustment (COLA) after retirement. A COLA is granted each July for annuitants retired prior to the second of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest. Under the Teacher Legacy Pension Plan, benefit terms and conditions, including COLAs can be adjusted on a prospective basis. Moreover, there are defined cost controls and unfunded liability controls that provide for the adjustment of benefit terms and conditions on an automatic basis.

Contributions. Contributions for teachers are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Teachers are required to contribute five percent of their salaries. The Local Education Agencies (LEAs) make employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. By law, employer contributions for the Teacher Legacy Pension Plan are required to be paid. The TCRS may intercept the state shared taxes of the sponsoring governmental entity of the LEA if the required employer contributions are not remitted. Employer contributions by the Morgan County School Department for the year ended June 30, 2016, to the Teacher Legacy Pension Plan were \$1,046,164 which is 9.04 percent of covered payroll. The employer rate, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension Liability (Assets). At June 30, 2016, the Morgan County School Department reported a liability of \$126,785 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Morgan County School Department's proportion of the net pension liability (asset) was based on the Morgan County School Department's long-term share of contributions to the pension plan relative to the contributions of all participating LEAs. At the measurement date of June 30, 2015, the Morgan County School Department's proportion was .309507 percent. The proportion measured at June 30, 2014, was .299122 percent.

Negative Pension Expense. For the year ended June 30, 2016, the Morgan County School Department recognized negative pension expense of \$109,914.

Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2016, the Morgan County School Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 101,750	\$ 1,973,424
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,289,337	3,107,899
Changes in Proportion of Net Pension Liability (Asset)	111,052	125,429
LEA's Contributions Subsequent to the Measurement Date of June 30, 2015	1,046,164	N/A
Total	<u>\$ 3,548,303</u>	<u>\$ 5,206,752</u>

The Morgan County School Department's employer contributions of \$1,064,164 reported as pension related deferred outflows of resources subsequent to the measurement date, will be recognized as a decrease (increase) in net pension liability (asset) in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Amount
2017	\$ (840,842)
2018	(840,842)
2019	(840,842)
2020	195,124
2021	(377,210)
Thereafter	0

In the table above, positive amounts will increase pension expense, while negative amounts will decrease pension expense.

Actuarial Assumptions. The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Pension Plan Investment Expenses, Including Inflation
Cost of Living Adjustment	2.5%

Mortality rates are customized based on the June 30, 2012, actuarial experience study and some included adjustments for expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2015, actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008, through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012, actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rate of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Percentage Long-term Expected Real Rate of Return	Percentage Target Allocations
U.S. Equity Developed Market	6.46 %	33 %
International Equity Emerging Market	6.26	17
International Equity Private Equity and Strategic Lending	6.40	5
U.S. Fixed Income	4.61	8
Real Estate	0.98	29
Short-term Securities	4.73	7
	0.00	1
Total		100 %

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount Rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumes that employee contributions will be made at the current rate and that contributions from all the LEAs will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of Net Pension Liability (Asset) to Changes in the Discount Rate. The following presents the Morgan County School Department's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the Morgan County School Department's proportionate share of the net pension liability (asset) would be if it was calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

School Department's Proportionate Share of the Net Pension Liability (Asset)	1% Decrease 6.5%	Current Discount Rate 7.5%	1% Increase 8.5%
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Net Pension Liability	\$ 8,643,761	\$ 126,785	\$ (6,924,267)
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Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in a separately issued TCRS financial report.

2. **Deferred Compensation**

Teachers hired after July 1, 2014, by the discretely presented Morgan County School Department are required to participate in a hybrid pension plan administered by the Tennessee Consolidated Retirement System. This hybrid pension plan requires that these teachers contribute five percent of their salaries into a deferred compensation plan managed by the hybrid plan pursuant to IRC Section 401(k). As part of their employment package, the Morgan County School Department has assumed all costs of funding this program on-behalf of the plan participants. The Section 401(k) plan assets remain the property of the participating teachers and are not presented in the accompanying financial statements. IRC Section 401(k), establishes participation, contribution, and withdrawal provisions for the plans. During the year, the Morgan County School Department contributed \$30,551 to the 401(k) portion of the hybrid pension plan on-behalf of the plan participants.

H. **Other Postemployment Benefits (OPEB)**

Plan Description

The Morgan County School Department participates in the state-administered Local Education Group Insurance Plan for healthcare benefits. For accounting purposes, the plan is an agent multiple-employer defined benefit OPEB plan. Benefits are established and amended by an insurance committee created by Section 8-27-302, *Tennessee Code Annotated*, for teachers. Prior to reaching the age of 65, all members have the option of choosing between the standard or partnership preferred provider organization (PPO) plan for healthcare benefits. Subsequent to age 65, members who are also in the state's retirement system may participate in a state-administered Medicare Supplement Plan that does not include pharmacy. The plans are reported in the State of Tennessee Comprehensive Annual Financial Report (CAFR). The CAFR is available on the state's website at <http://tennessee.gov/finance/article/fa-accfin-cafr>.

Funding Policy

The premium requirements of plan members are established and may be amended by the insurance committee. The plan is self-insured and financed on a pay-as-you-go basis with the risk shared equally among the participants. Claims liabilities of the plan are periodically computed using actuarial and statistical techniques to establish premium rates. The employers in each plan develop their own contribution policy in terms of subsidizing active employees or retired employees' premiums since the committee is not prescriptive on that issue. The state provides a partial subsidy to Local Education Agency pre-65 teachers and a full subsidy based on years of service for post-65 teachers in the Medicare Supplement Plan. The Morgan County School Department does not pay any premiums for retiree health insurance. However, since pre-65 retirees are allowed to remain on the plan, an implicit rate subsidy exists and is accounted for as other postemployment benefits.

Annual OPEB Cost and Net OPEB Obligation

	Local Education Group Plan
ARC	\$ 210,000
Interest on the NOPEBO	19,295
Adjustment to the ARC	(19,373)
Annual OPEB cost	\$ 209,922
Amount of contribution	(180,190)
Increase/decrease in NOPEBO	\$ 29,733
Net OPEB obligation, 7-1-15	514,545
Net OPEB Obligation, 6-30-16	\$ 544,278

Fiscal Year Ended	Plan	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation at Year End
6-30-14	Local Education Group	\$ 154,534	103	% \$ 513,515
6-30-15	"	159,530	99	514,545
6-30-16	"	209,923	86	544,278

Funded Status and Funding Progress

The funded status of the plan as of July 1, 2015, was as follows:

	Local Education Group Plan
Actuarial valuation date	7/1/2015
Actuarial accrued liability (AAL)	\$ 1,973,000
Actuarial value of plan assets	\$ 0
Unfunded actuarial accrued liability (UAAL)	\$ 1,973,000
Actuarial value of assets as a % of the AAL	0%
Covered payroll (active plan members)	\$ 12,473,279
UAAL as a % of covered payroll	15.82%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

In the July 1, 2015, actuarial valuation for the Local Education Plan, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.75 percent investment rate of return (net of administrative expenses) and an annual healthcare cost trend rate of 6.5 percent initially. The trend rate will decrease to six percent in fiscal year 2016 and then be reduced by decrements to an ultimate rate of 4.7 percent by fiscal year 2050. The rate includes a 2.5 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll on a closed basis over a 30-year period beginning with July 1, 2007. Payroll is assumed to grow at a rate of three percent.

I. Termination Benefits

The Morgan County Board of Education offers a one-time payment of \$5,000 to eligible employees as an early retirement bonus. During the 2015-16 year, five employees accepted the offer. The financial statements of this report reflect expenditures of \$25,000 in the General Purpose School Fund for the retirement incentive payments, and there is no further liability to those retirees under the incentive plan.

The Morgan County Board of Education also provides \$2,000 per year for medical insurance premiums to eligible employees for a maximum of five years following retirement or until the retiree is eligible for Medicare. These payments are made directly to the retiree. During the 2015-16 year, 21 retirees were eligible for this benefit. The financial statements of this report reflect expenditures of \$42,000 in the General Purpose School Fund for these payments, and a long-term liability for future known amounts due under this policy is reflected in the government-wide statements for the School Department.

J. Office of Central Accounting, Budgeting, and Purchasing

Morgan County operates under the provisions of the County Financial Management System of 1981. This act provides for a central system of accounting, budgeting, and purchasing for all county departments. The act also provides for the creation of a Finance Department operated under the direction of the finance director.

K. Purchasing Law

The County Financial Management System of 1981 provides for the finance director or a deputy appointed by him to serve as the county purchasing agent. The finance director serves as the purchasing agent for Morgan County. All purchase orders are issued by the Finance Department. Purchases exceeding \$10,000 are required to be competitively bid.

REQUIRED SUPPLEMENTARY INFORMATION

Exhibit E-1

Morgan County, Tennessee
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios Based on
Participation in the Public Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	2014	2015
Total Pension Liability (Asset)		
Service Cost	\$ 620,520	\$ 638,132
Interest	1,210,817	1,270,858
Changes in Benefit Terms	0	0
Differences Between Actual and Expected Experience	(272,625)	(126,191)
Changes in Assumptions	0	0
Benefit Payments, Including Refunds of Employee Contributions	(745,620)	(805,944)
Net Change in Total Pension Liability (Asset)	\$ 813,092	\$ 976,855
Total Pension Liability (Asset), Beginning	15,896,523	16,709,615
Total Pension Liability (Asset), Ending (a)	\$ 16,709,615	\$ 17,686,470
Plan Fiduciary Net Position		
Contributions - Employer	\$ 578,610	\$ 621,625
Contributions - Employee	402,265	400,020
Net Investment Income	2,419,366	530,200
Benefit Payments, Including Refunds of Employee Contributions	(745,620)	(805,944)
Administrative Expense	(12,384)	(16,019)
Net Change in Plan Fiduciary Net Position	\$ 2,642,237	\$ 729,882
Plan Fiduciary Net Position, Beginning	14,501,958	17,144,195
Plan Fiduciary Net Position, Ending (b)	\$ 17,144,195	\$ 17,874,077
Net Pension Liability (Asset), Ending (a - b)	\$ (434,580)	\$ (187,607)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	102.60%	101.06%
Covered Payroll	\$ 7,787,142	\$ 7,997,109
Net Pension Liability (Asset) as a Percentage of Covered Payroll	(5.58%)	(2.35%)

Note: ten years of data will be presented when available.

Note: data presented includes primary government and non-certified employees of the discretely presented School Department.

Exhibit E-2

Morgan County, Tennessee
Schedule of Contributions Based on Participation in the Public
Employee Pension Plan of TCRS
Primary Government
For the Fiscal Year Ended June 30

	2014	2015	2016
Actuarially Determined Contribution	\$ 578,610	\$ 621,625	\$ 642,686
Less Contributions in Relation to the Actuarially Determined Contribution	(578,610)	(621,625)	(642,686)
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered Payroll	\$ 7,787,142	\$ 7,997,109	\$ 8,271,068
Contributions as a Percentage of Covered Payroll	7.43%	7.77%	7.77%

Note: ten years of data will be presented when available.

Note: data presented includes primary government and non-certified employees of the discretely presented School Department.

Exhibit E-3

Morgan County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Pension Plan of TCRS
Discretely Presented Morgan County School Department
For the Fiscal Year Ended June 30

	2015	2016
Contractually Required Contribution	\$ 10,994	\$ 17,496
Less Contributions in Relation to the Contractually Required Contribution	(17,591)	(27,993)
Contribution Deficiency (Excess)	<u>\$ (6,597)</u>	<u>\$ (10,497)</u>
Covered Payroll	\$ 439,780	\$ 699,825
Contributions as a Percentage of Covered Payroll	4.00%	4.00%

Note: ten years of data will be presented when available.

Exhibit E-4

Morgan County, Tennessee
Schedule of Contributions Based on Participation in the Teacher
Legacy Pension Plan of TCRS
Discretely Presented Morgan County School Department
For the Fiscal Year Ended June 30

	2014	2015	2016
Contractually Required Contribution	\$ 1,042,557	\$ 1,047,412	\$ 1,046,164
Less Contributions in Relation to the Contractually Required Contribution	(1,042,557)	(1,047,412)	(1,046,164)
Contribution Deficiency (Excess)	\$ 0	\$ 0	\$ 0
Covered Payroll	\$ 11,740,509	\$ 11,586,423	\$ 11,572,715
Contributions as a Percentage of Covered Payroll	8.88%	9.04%	9.04%

Note: ten years of data will be presented when available.

Exhibit E-5

Morgan County, Tennessee
Schedule of Proportionate Share of the Net Pension Liability (Asset)
in the Teacher Pension Plan of TCRS
Discretely Presented Morgan County School Department
For the Fiscal Year Ended June 30 *

	<u>2016</u>
School Department's Proportion of the Net Pension Liability (Asset)	0.211662%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (8,515)
Covered Payroll	\$ 439,780
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(1.94%)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	127.46%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-6

Morgan County, Tennessee
Schedule of Proportionate Share of the Net Pension Liability (Asset)
in the Teacher Legacy Pension Plan of TCRS
Discretely Presented Morgan County School Department
For the Fiscal Year Ended June 30 *

	2015	2016
School Department's Proportion of the Net Pension Liability (Asset)	0.299122%	0.309507%
School Department's Proportionate Share of the Net Pension Liability (Asset)	\$ (48,606)	\$ 126,785
Covered Payroll	\$ 11,740,509	\$ 11,586,423
School Department's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	(41.40%)	1.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	100.08%	99.81%

* The amounts presented were determined as of June 30 of the prior fiscal year.

Note: ten years of data will be presented when available.

Exhibit E-7

Morgan County, Tennessee
Schedule of Funding Progress – Other Postemployment Benefits Plan
Discretely Presented Morgan County School Department
June 30, 2016

Local Education Group Plan

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7-1-11	\$ 0	\$ 2,046	\$ 2,046	0	% \$ 11,948	17.12 %
7-1-13	0	1,465	1,465	0	12,017	12.19
7-1-15	0	1,973	1,973	0	12,473	15.82

MORGAN COUNTY, TENNESSEE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

TENNESSEE CONSOLIDATED RETIREMENT SYSTEM

Valuation Date: Actuarially determined contribution rates for 2016 were calculated based on the July 1, 2013, actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial Cost Method	Frozen Initial Liability
Amortization Method	Level Dollar, Closed (Not to Exceed 20 Years)
Remaining Amortization Period	Four Years
Asset Valuation	10-Year Smoothed Within a 20% Corridor to Market Value
Inflation	3%
Salary Increases	Graded Salary Ranges from 8.97% to 3.71% Based on Age, Including Inflation, Averaging 4.25%
Investment Rate of Return	7.5%, Net of Investment Expense, Including Inflation
Retirement Age	Pattern of Retirement Determined by Experience Study
Mortality	Customized Table Based on Actual Experience Including an Adjustment for Some Anticipated Improvement
Cost of Living Adjustment	2.5%

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Drug Control Fund – The Drug Control Fund is used to account for revenues received from drug-related fines, forfeitures, and seizures.

Constitutional Officers - Fees Fund – The Constitutional Officers - Fees Fund is used to account for operating expenses paid directly from the fee and commission accounts of the trustee, clerks, register of deeds, and sheriff.

Capital Projects Fund

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

General Capital Projects Fund – The General Capital Projects Fund is used to account for general capital expenditures of the county.

Exhibit F-1

Morgan County, Tennessee
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>ASSETS</u>					
Cash	\$ 0	\$ 1,150	\$ 1,150	\$ 0	\$ 1,150
Equity in Pooled Cash and Investments	61,082	0	61,082	110,039	171,121
Due from Other Governments	0	0	0	139,085	139,085
Total Assets	<u>\$ 61,082</u>	<u>\$ 1,150</u>	<u>\$ 62,232</u>	<u>\$ 249,124</u>	<u>\$ 311,356</u>
<u>LIABILITIES</u>					
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 9,610	\$ 9,610
Contracts Payable	0	0	0	100,364	100,364
Retainage Payable	0	0	0	21,317	21,317
Due to Other Funds	0	1,150	1,150	0	1,150
Total Liabilities	<u>\$ 0</u>	<u>\$ 1,150</u>	<u>\$ 1,150</u>	<u>\$ 131,291</u>	<u>\$ 132,441</u>
<u>FUND BALANCES</u>					
Restricted:					
Restricted for Public Safety	\$ 61,082	\$ 0	\$ 61,082	\$ 0	\$ 61,082
Committed:					
Committed for Capital Projects	0	0	0	117,833	117,833
Total Fund Balances	<u>\$ 61,082</u>	<u>\$ 0</u>	<u>\$ 61,082</u>	<u>\$ 117,833</u>	<u>\$ 178,915</u>
Total Liabilities and Fund Balances	<u>\$ 61,082</u>	<u>\$ 1,150</u>	<u>\$ 62,232</u>	<u>\$ 249,124</u>	<u>\$ 311,356</u>

Exhibit F-2

Morgan County, Tennessee
Combining Statement of Revenues, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Drug Control	Constitu- tional Officers - Fees	Total	General Capital Projects	
<u>Revenues</u>					
Fines, Forfeitures, and Penalties	\$ 65,178	\$ 0	\$ 65,178	\$ 0	\$ 65,178
Charges for Current Services	0	32,263	32,263	0	32,263
State of Tennessee	0	0	0	288,880	288,880
Federal Government	0	0	0	411,563	411,563
Other Governments and Citizens Groups	0	0	0	75,000	75,000
Total Revenues	\$ 65,178	\$ 32,263	\$ 97,441	\$ 775,443	\$ 872,884
<u>Expenditures</u>					
Current:					
Finance	\$ 0	\$ 82	\$ 82	\$ 0	\$ 82
Administration of Justice	0	32,181	32,181	0	32,181
Public Safety	24,336	0	24,336	0	24,336
Capital Projects	0	0	0	792,236	792,236
Total Expenditures	\$ 24,336	\$ 32,263	\$ 56,599	\$ 792,236	\$ 848,835
Excess (Deficiency) of Revenues Over Expenditures	\$ 40,842	\$ 0	\$ 40,842	\$ (16,793)	\$ 24,049
<u>Other Financing Sources (Uses)</u>					
Insurance Recovery	\$ 0	\$ 0	\$ 0	\$ 6,207	\$ 6,207
Transfers In	0	0	0	100,000	100,000
Transfers Out	(23,886)	0	(23,886)	0	(23,886)
Total Other Financing Sources (Uses)	\$ (23,886)	\$ 0	\$ (23,886)	\$ 106,207	\$ 82,321
Net Change in Fund Balances	\$ 16,956	\$ 0	\$ 16,956	\$ 89,414	\$ 106,370
Fund Balance, July 1, 2015	44,126	0	44,126	28,419	72,545
Fund Balance, June 30, 2016	\$ 61,082	\$ 0	\$ 61,082	\$ 117,833	\$ 178,915

Exhibit F-3

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
Drug Control Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Fines, Forfeitures, and Penalties	\$ 65,178	\$ 55,896	\$ 55,896	\$ 9,282
Total Revenues	<u>\$ 65,178</u>	<u>\$ 55,896</u>	<u>\$ 55,896</u>	<u>\$ 9,282</u>
<u>Expenditures</u>				
<u>Public Safety</u>				
Drug Enforcement	\$ 24,336	\$ 37,010	\$ 37,010	\$ 12,674
<u>Capital Projects</u>				
Public Safety Projects	0	23,886	0	0
Total Expenditures	<u>\$ 24,336</u>	<u>\$ 60,896</u>	<u>\$ 37,010</u>	<u>\$ 12,674</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 40,842</u>	<u>\$ (5,000)</u>	<u>\$ 18,886</u>	<u>\$ 21,956</u>
<u>Other Financing Sources (Uses)</u>				
Transfers Out	\$ (23,886)	\$ 0	\$ (24,614)	\$ 728
Total Other Financing Sources	<u>\$ (23,886)</u>	<u>\$ 0</u>	<u>\$ (24,614)</u>	<u>\$ 728</u>
Net Change in Fund Balance	\$ 16,956	\$ (5,000)	\$ (5,728)	\$ 22,684
Fund Balance, July 1, 2015	<u>44,126</u>	<u>29,610</u>	<u>29,610</u>	<u>14,516</u>
Fund Balance, June 30, 2016	<u><u>\$ 61,082</u></u>	<u><u>\$ 24,610</u></u>	<u><u>\$ 23,882</u></u>	<u><u>\$ 37,200</u></u>

Major Governmental Fund

General Debt Service Fund

The General Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Exhibit G

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual and Budget
General Debt Service Fund
For the Year Ended June 30, 2016

	Actual	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
		Original	Final	
<u>Revenues</u>				
Local Taxes	\$ 1,544,789	\$ 1,487,136	\$ 1,487,136	\$ 57,653
Other Governments and Citizens Groups	590,355	584,369	590,355	0
Total Revenues	<u>\$ 2,135,144</u>	<u>\$ 2,071,505</u>	<u>\$ 2,077,491</u>	<u>\$ 57,653</u>
<u>Expenditures</u>				
<u>Principal on Debt</u>				
General Government	\$ 304,213	\$ 304,212	\$ 304,213	\$ 0
Education	1,127,623	1,062,136	1,127,623	0
<u>Interest on Debt</u>				
General Government	135,658	212,355	212,355	76,697
Education	698,124	702,398	712,897	14,773
<u>Other Debt Service</u>				
General Government	33,724	43,404	43,403	9,679
Total Expenditures	<u>\$ 2,299,342</u>	<u>\$ 2,324,505</u>	<u>\$ 2,400,491</u>	<u>\$ 101,149</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (164,198)</u>	<u>\$ (253,000)</u>	<u>\$ (323,000)</u>	<u>\$ 158,802</u>
Net Change in Fund Balance	\$ (164,198)	\$ (253,000)	\$ (323,000)	\$ 158,802
Fund Balance, July 1, 2015	<u>2,380,244</u>	<u>2,380,244</u>	<u>2,380,244</u>	<u>0</u>
Fund Balance, June 30, 2016	<u>\$ 2,216,046</u>	<u>\$ 2,127,244</u>	<u>\$ 2,057,244</u>	<u>\$ 158,802</u>

Fiduciary Funds

Agency Funds are used to account for assets held by the county in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cities - Sales Tax Fund – The Cities - Sales Tax Fund is used to account for the second half of the sales tax revenues collected inside incorporated cities of the county. These revenues are received by the county from the State of Tennessee and forwarded to the various cities on a monthly basis.

Cities - Property Tax Fund – The Cities - Property Tax Fund is used to account for city property taxes levied by the City of Sunbright and collected by the county trustee for the benefit of the city. These revenues are forwarded to the City of Sunbright monthly.

Constitutional Officers - Agency Fund – The Constitutional Officers - Agency Fund is used to account for amounts collected in an agency capacity by the county clerk, circuit and general sessions courts clerk, clerk and master, register of deeds, and sheriff. Such collections include amounts due the state, cities, other county funds, litigants, heirs, and others.

Exhibit H-1

Morgan County, Tennessee

Combining Statement of Fiduciary Assets and Liabilities

Fiduciary Funds

June 30, 2016

	<u>Agency Funds</u>			
	Cities - Sales Tax	Cities - Property Tax	Constitu- tional Officers - Agency	Total
<u>ASSETS</u>				
Cash	\$ 0	\$ 0	\$ 536,735	\$ 536,735
Accounts Receivable	0	0	81	81
Due from Other Governments	56,332	0	0	56,332
Property Taxes Receivable	0	60,106	0	60,106
Total Assets	<u>\$ 56,332</u>	<u>\$ 60,106</u>	<u>\$ 536,816</u>	<u>\$ 653,254</u>
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 56,332	\$ 60,106	\$ 0	\$ 116,438
Due to Litigants, Heirs, and Others	0	0	536,816	536,816
Total Liabilities	<u>\$ 56,332</u>	<u>\$ 60,106</u>	<u>\$ 536,816</u>	<u>\$ 653,254</u>

Exhibit H-2

Morgan County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds
For the Year Ended June 30, 2016

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Cities - Sales Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 387,317	\$ 387,317	\$ 0
Due from Other Governments	52,438	56,332	52,438	56,332
Total Assets	\$ 52,438	\$ 443,649	\$ 439,755	\$ 56,332
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 52,438	\$ 443,649	\$ 439,755	\$ 56,332
Total Liabilities	\$ 52,438	\$ 443,649	\$ 439,755	\$ 56,332
<u>Cities-Property Tax Fund</u>				
<u>Assets</u>				
Equity in Pooled Cash and Investments	\$ 0	\$ 59,794	\$ 59,794	\$ 0
Property Taxes Receivable	64,982	60,106	64,982	60,106
Total Assets	\$ 64,982	\$ 119,900	\$ 124,776	\$ 60,106
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 64,982	\$ 119,900	\$ 124,776	\$ 60,106
Total Liabilities	\$ 64,982	\$ 119,900	\$ 124,776	\$ 60,106
<u>Constitutional Officers - Agency Fund</u>				
<u>Assets</u>				
Cash	\$ 378,634	\$ 2,983,105	\$ 2,825,004	\$ 536,735
Accounts Receivable	0	81	0	81
Total Assets	\$ 378,634	\$ 2,983,186	\$ 2,825,004	\$ 536,816
<u>Liabilities</u>				
Due to Litigants, Heirs, and Others	\$ 378,634	\$ 2,983,186	\$ 2,825,004	\$ 536,816
Total Liabilities	\$ 378,634	\$ 2,983,186	\$ 2,825,004	\$ 536,816

(Continued)

Exhibit H-2

Morgan County, Tennessee
Combining Statement of Changes in Assets and
Liabilities - All Agency Funds (Cont.)

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Totals - All Agency Funds</u>				
<u>Assets</u>				
Cash	\$ 378,634	\$ 2,983,105	\$ 2,825,004	\$ 536,735
Equity in Pooled Cash and Investments	0	447,111	447,111	0
Accounts Receivable	0	81	0	81
Due from Other Governments	52,438	56,332	52,438	56,332
Property Taxes Receivable	64,982	60,106	64,982	60,106
Total Assets	<u>\$ 496,054</u>	<u>\$ 3,546,735</u>	<u>\$ 3,389,535</u>	<u>\$ 653,254</u>
<u>Liabilities</u>				
Due to Other Taxing Units	\$ 117,420	\$ 563,549	\$ 564,531	\$ 116,438
Due to Litigants, Heirs, and Others	378,634	2,983,186	2,825,004	536,816
Total Liabilities	<u>\$ 496,054</u>	<u>\$ 3,546,735</u>	<u>\$ 3,389,535</u>	<u>\$ 653,254</u>

Morgan County School Department

This section presents combining and individual fund financial statements for the Morgan County School Department, a discretely presented component unit. The School Department uses a General Fund and two Special Revenue Funds.

General Purpose School Fund – The General Purpose School Fund is used to account for general operations of the School Department.

School Federal Projects Fund – The School Federal Projects Fund is used to account for restricted federal revenues, which must be expended on specific education programs.

Central Cafeteria Fund – The Central Cafeteria Fund is used to account for the cafeteria operations in each of the schools.

Exhibit I-1

Morgan County, Tennessee
Statement of Activities
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position Total Governmental Activities
Governmental Activities:				
Instruction	\$ 13,498,248	\$ 11,014	\$ 1,422,033	\$ (12,065,201)
Support Services	10,856,306	0	376,308	(10,479,998)
Operation of Non-instructional Services	3,131,770	200,482	3,273,558	342,270
Total Governmental Activities	<u>\$ 27,486,324</u>	<u>\$ 211,496</u>	<u>\$ 5,071,899</u>	<u>\$ (22,202,929)</u>
General Revenues:				
Taxes:				
Property Taxes Levied for General Purposes				\$ 2,752,334
Other Local Taxes				66,694
Grants and Contributions Not Restricted to Specific Programs				19,968,153
Unrestricted Investment Income				9,492
Miscellaneous				9,609
Total General Revenues				<u>\$ 22,806,282</u>
Change in Net Position				\$ 603,353
Net Position, July 1, 2015				<u>23,810,333</u>
Net Position, June 30, 2016				<u><u>\$ 24,413,686</u></u>

Exhibit I-2

Morgan County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Morgan County School Department
June 30, 2016

	Major Funds			Total
	General Purpose School	School Federal Projects	Central Cafeteria	Governmental Funds
<u>ASSETS</u>				
Cash	\$ 788	\$ 104	\$ 4	\$ 896
Equity in Pooled Cash and Investments	3,167,884	149,530	1,523,209	4,840,623
Accounts Receivable	131,521	0	1,063	132,584
Due from Other Governments	178,806	158,395	77,928	415,129
Due from Other Funds	0	24,501	0	24,501
Property Taxes Receivable	2,939,560	0	0	2,939,560
Allowance for Uncollectible Property Taxes	(147,279)	0	0	(147,279)
Total Assets	<u>\$ 6,271,280</u>	<u>\$ 332,530</u>	<u>\$ 1,602,204</u>	<u>\$ 8,206,014</u>
<u>LIABILITIES</u>				
Payroll Deductions Payable	\$ 310,178	\$ 28,133	\$ 1,865	\$ 340,176
Due to Other Funds	24,501	0	0	24,501
Total Liabilities	<u>\$ 334,679</u>	<u>\$ 28,133</u>	<u>\$ 1,865</u>	<u>\$ 364,677</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Deferred Current Property Taxes	\$ 2,639,863	\$ 0	\$ 0	\$ 2,639,863
Deferred Delinquent Property Taxes	137,152	0	0	137,152
Total Deferred Inflows of Resources	<u>\$ 2,777,015</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,777,015</u>
<u>FUND BALANCES</u>				
Restricted:				
Restricted for Education	\$ 0	\$ 4,397	\$ 1,600,339	\$ 1,604,736

(Continued)

Exhibit I-2

Morgan County, Tennessee
Balance Sheet - Governmental Funds
Discretely Presented Morgan County School Department (Cont.)

FUND BALANCES (Cont.)

Committed:

Committed for Education

Assigned:

Assigned for Education

Unassigned

Total Fund Balances

Total Liabilities, Deferred Inflows of Resources, and Fund Balances

General Purpose School	Major Funds		Total Governmental Funds
	School Federal Projects	Central Cafeteria	
\$ 0	\$ 300,000	\$ 0	\$ 300,000
777,133	0	0	777,133
2,382,453	0	0	2,382,453
<u>\$ 3,159,586</u>	<u>\$ 304,397</u>	<u>\$ 1,600,339</u>	<u>\$ 5,064,322</u>
<u>\$ 6,271,280</u>	<u>\$ 332,530</u>	<u>\$ 1,602,204</u>	<u>\$ 8,206,014</u>

Exhibit I-3

Morgan County, Tennessee
Reconciliation of the Balance Sheet of Governmental Funds to
the Statement of Net Position
Discretely Presented Morgan County School Department
June 30, 2016

Amounts reported for governmental activities in the statement
of net position (Exhibit A) are different because:

Total fund balances - balance sheet - governmental funds (Exhibit I-2)		\$	5,064,322
(1) Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Add: land	\$	1,112,193	
Add: buildings and improvements net of accumulated depreciation		17,717,568	
Add: other capital assets net of accumulated depreciation		<u>2,811,542</u>	21,641,303
(2) Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.			
Less: leases payable on primary government debt	\$	(141,128)	
Less: other postemployment benefits liability		(544,278)	
Less: retirement incentive obligation		(78,000)	
Less: compensated absences payable		(91,558)	
Less: net pension liability - teacher legacy plan		<u>(126,785)</u>	(981,749)
(3) Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years:			
Add: deferred outflows of resources related to pensions	\$	1,582,540	
Less: deferred inflows of resources related to pensions		<u>(3,124,040)</u>	(1,541,500)
(4) Net pension assets of the agent plan are not current financial resources and therefore are not reported in the governmental funds.			85,643
(5) Net pension assets of the teacher retirement plan are not current financial resources and therefore are not reported in the governmental funds.			8,515
(6) Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the governmental funds.			<u>137,152</u>
Net position of governmental activities (Exhibit A)		\$	<u><u>24,413,686</u></u>

Exhibit I-4

Morgan County, Tennessee
Statement of Revenues, Expenditures,
and Changes in Fund Balances -
Governmental Funds
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2016

	Major Funds			Total
	General Purpose School	School Federal Projects	Central Cafeteria	Governmental Funds
<u>Revenues</u>				
Local Taxes	\$ 2,814,017	\$ 0	\$ 0	\$ 2,814,017
Licenses and Permits	525	0	0	525
Charges for Current Services	11,805	0	199,691	211,496
Other Local Revenues	553,374	552	3,220	557,146
State of Tennessee	20,043,301	0	19,941	20,063,242
Federal Government	26,572	2,119,964	2,143,484	4,290,020
Other Governments and Citizens Groups	148,220	0	0	148,220
Total Revenues	<u>\$ 23,597,814</u>	<u>\$ 2,120,516</u>	<u>\$ 2,366,336</u>	<u>\$ 28,084,666</u>
<u>Expenditures</u>				
Current:				
Instruction	\$ 12,982,904	\$ 1,509,897	\$ 0	\$ 14,492,801
Support Services	8,459,338	631,668	0	9,091,006
Operation of Non-instructional Services	1,149,819	0	2,080,684	3,230,503
Debt Service:				
Other Debt Service	591,061	0	0	591,061
Total Expenditures	<u>\$ 23,183,122</u>	<u>\$ 2,141,565</u>	<u>\$ 2,080,684</u>	<u>\$ 27,405,371</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 414,692</u>	<u>\$ (21,049)</u>	<u>\$ 285,652</u>	<u>\$ 679,295</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In	\$ 0	\$ 24,501	\$ 0	\$ 24,501
Transfers Out	(24,501)	0	0	(24,501)
Total Other Financing Sources (Uses)	<u>\$ (24,501)</u>	<u>\$ 24,501</u>	<u>\$ 0</u>	<u>\$ 0</u>
Net Change in Fund Balances	\$ 390,191	\$ 3,452	\$ 285,652	\$ 679,295
Fund Balance, July 1, 2015	2,769,395	300,945	1,314,687	4,385,027
Fund Balance, June 30, 2016	<u><u>\$ 3,159,586</u></u>	<u><u>\$ 304,397</u></u>	<u><u>\$ 1,600,339</u></u>	<u><u>\$ 5,064,322</u></u>

Exhibit I-5

Morgan County, Tennessee
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2016

Amounts reported for governmental activities in the statement
of activities (Exhibit B) are different because:

Net change in fund balances - total governmental funds (Exhibit I-4)		\$	679,295
(1) Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives and reported as depreciation expense. The difference between capital outlays and depreciation is itemized as follows:			
Add: capital assets purchased in the current period	\$	324,898	
Less: current-year depreciation expense		(2,111,871)	(1,786,973)
(2) Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Less: deferred delinquent property taxes and other deferred June 30, 2015	\$	(132,141)	
Add: deferred delinquent property taxes and other deferred June 30, 2016		137,152	5,011
(3) The contribution of long-term debt (e.g., capital leases) by the primary government provides current financial resources to governmental funds, while the contribution by the School Department of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.			
Add: principal payments on capital leases for primary government			65,488
(4) Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.			
Change in other postemployment benefits liability	\$	(29,733)	
Change in retirement incentive obligation		68,000	
Change in compensated absences payable		23,280	
Change in net pension asset - agent plan		(180,320)	
Change in net pension asset - teacher retirement plan		8,515	
Change in net pension liability- teacher legacy plan		(175,390)	
Change in deferred outflows related to pensions		113,493	
Change in deferred inflows related to pensions		1,812,687	1,640,532
Change in net position of governmental activities (Exhibit B)		\$	<u>603,353</u>

Exhibit I-6

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Morgan County School Department
General Purpose School Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Local Taxes	\$ 2,814,017	\$ 0	\$ 0	\$ 2,814,017	\$ 2,717,870	\$ 2,717,870	\$ 96,147
Licenses and Permits	525	0	0	525	500	500	25
Charges for Current Services	11,805	0	0	11,805	28,500	28,500	(16,695)
Other Local Revenues	553,374	0	0	553,374	414,572	519,461	33,913
State of Tennessee	20,043,301	0	0	20,043,301	19,863,913	20,027,461	15,840
Federal Government	26,572	0	0	26,572	0	26,572	0
Other Governments and Citizens Groups	148,220	0	0	148,220	0	164,720	(16,500)
Total Revenues	\$ 23,597,814	\$ 0	\$ 0	\$ 23,597,814	\$ 23,025,355	\$ 23,485,084	\$ 112,730
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 10,740,922	\$ 0	\$ 1,512	\$ 10,742,434	\$ 10,944,303	\$ 10,808,191	\$ 65,757
Special Education Program	1,443,597	0	0	1,443,597	1,379,225	1,444,892	1,295
Vocational Education Program	798,385	0	1,470	799,855	812,590	801,574	1,719
<u>Support Services</u>							
Attendance	194,045	0	0	194,045	189,547	196,231	2,186
Health Services	380,378	(371)	1,704	381,711	381,014	392,014	10,303
Other Student Support	491,215	0	100	491,315	491,441	515,841	24,526
Regular Instruction Program	1,143,245	(821)	61,329	1,203,753	1,056,965	1,210,563	6,810
Special Education Program	287,867	0	0	287,867	302,805	289,374	1,507
Vocational Education Program	92,774	0	0	92,774	94,122	93,122	348
Other Programs	61,633	0	0	61,633	0	61,633	0
Board of Education	639,626	0	0	639,626	690,994	659,764	20,138
Director of Schools	338,607	0	93,355	431,962	302,248	449,373	17,411
Office of the Principal	1,422,436	0	0	1,422,436	1,454,056	1,445,556	23,120
Operation of Plant	1,863,202	(2,418)	45	1,860,829	1,861,592	1,892,411	31,582
Maintenance of Plant	413,596	(37,717)	30,057	405,936	457,804	458,184	52,248
Transportation	1,130,714	(258,534)	302,501	1,174,681	981,336	1,207,317	32,636

(Continued)

Exhibit I-6

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Morgan County School Department
General Purpose School Fund (Cont.)

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Expenditures (Cont.)</u>							
<u>Operation of Non-instructional Services</u>							
Community Services	\$ 0	\$ 0	\$ 0	\$ 0	\$ 50,000	\$ 0	\$ 0
Early Childhood Education	1,149,819	(6,450)	0	1,143,369	1,177,525	1,212,906	69,537
<u>Principal on Debt</u>							
Education	0	0	0	0	65,489	0	0
<u>Interest on Debt</u>							
Education	0	0	0	0	10,498	0	0
<u>Other Debt Service</u>							
Education	591,061	0	0	591,061	587,276	591,063	2
Total Expenditures	\$ 23,183,122	\$ (306,311)	\$ 492,073	\$ 23,368,884	\$ 23,290,830	\$ 23,730,009	\$ 361,125
Excess (Deficiency) of Revenues Over Expenditures	\$ 414,692	\$ 306,311	\$ (492,073)	\$ 228,930	\$ (265,475)	\$ (244,925)	\$ 473,855
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,995	\$ 3,995	\$ (3,995)
Transfers Out	(24,501)	0	0	(24,501)	0	(24,501)	0
Total Other Financing Sources	\$ (24,501)	\$ 0	\$ 0	\$ (24,501)	\$ 3,995	\$ (20,506)	\$ (3,995)
Net Change in Fund Balance	\$ 390,191	\$ 306,311	\$ (492,073)	\$ 204,429	\$ (261,480)	\$ (265,431)	\$ 469,860
Fund Balance, July 1, 2015	2,769,395	(306,311)	0	2,463,084	2,512,141	2,512,141	(49,057)
Fund Balance, June 30, 2016	\$ 3,159,586	\$ 0	\$ (492,073)	\$ 2,667,513	\$ 2,250,661	\$ 2,246,710	\$ 420,803

Exhibit I-7

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Morgan County School Department
School Federal Projects Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Other Local Revenues	\$ 552	\$ 0	\$ 0	\$ 552	\$ 0	\$ 0	\$ 552
Federal Government	2,119,964	0	0	2,119,964	1,815,484	2,391,754	(271,790)
Total Revenues	\$ 2,120,516	\$ 0	\$ 0	\$ 2,120,516	\$ 1,815,484	\$ 2,391,754	\$ (271,238)
<u>Expenditures</u>							
<u>Instruction</u>							
Regular Instruction Program	\$ 873,606	\$ 0	\$ 340	\$ 873,946	\$ 545,469	\$ 953,275	\$ 79,329
Special Education Program	601,589	0	0	601,589	634,284	719,244	117,655
Vocational Education Program	34,702	0	0	34,702	29,380	34,722	20
<u>Support Services</u>							
Other Student Support	27,822	0	922	28,744	36,313	30,978	2,234
Regular Instruction Program	478,767	(139)	2,715	481,343	482,656	546,568	65,225
Special Education Program	114,214	0	0	114,214	80,933	116,823	2,609
Vocational Education Program	2,663	0	0	2,663	2,670	2,663	0
Office of the Principal	8,202	0	0	8,202	0	8,202	0
Total Expenditures	\$ 2,141,565	\$ (139)	\$ 3,977	\$ 2,145,403	\$ 1,811,705	\$ 2,412,475	\$ 267,072
Excess (Deficiency) of Revenues Over Expenditures	\$ (21,049)	\$ 139	\$ (3,977)	\$ (24,887)	\$ 3,779	\$ (20,721)	\$ (4,166)
<u>Other Financing Sources (Uses)</u>							
Transfers In	\$ 24,501	\$ 0	\$ 0	\$ 24,501	\$ 0	\$ 24,501	\$ 0
Transfers Out	0	0	0	0	(3,781)	(3,781)	3,781
Total Other Financing Sources	\$ 24,501	\$ 0	\$ 0	\$ 24,501	\$ (3,781)	\$ 20,720	\$ 3,781
Net Change in Fund Balance	\$ 3,452	\$ 139	\$ (3,977)	\$ (386)	\$ (2)	\$ (1)	\$ (385)
Fund Balance, July 1, 2015	300,945	(139)	0	300,806	305,796	305,796	(4,990)
Fund Balance, June 30, 2016	\$ 304,397	\$ 0	\$ (3,977)	\$ 300,420	\$ 305,794	\$ 305,795	\$ (5,375)

Exhibit I-8

Morgan County, Tennessee
Schedule of Revenues, Expenditures, and Changes
in Fund Balance - Actual (Budgetary Basis) and Budget
Discretely Presented Morgan County School Department
Central Cafeteria Fund
For the Year Ended June 30, 2016

	Actual (GAAP Basis)	Less: Encumbrances 7/1/2015	Add: Encumbrances 6/30/2016	Actual Revenues/ Expenditures (Budgetary Basis)	Budgeted Amounts		Variance with Final Budget - Positive (Negative)
					Original	Final	
<u>Revenues</u>							
Charges for Current Services	\$ 199,691	\$ 0	\$ 0	\$ 199,691	\$ 143,858	\$ 143,858	\$ 55,833
Other Local Revenues	3,220	0	0	3,220	1,596	1,596	1,624
State of Tennessee	19,941	0	0	19,941	24,649	24,649	(4,708)
Federal Government	2,143,484	0	0	2,143,484	1,951,804	1,951,804	191,680
Total Revenues	<u>\$ 2,366,336</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,366,336</u>	<u>\$ 2,121,907</u>	<u>\$ 2,121,907</u>	<u>\$ 244,429</u>
<u>Expenditures</u>							
<u>Operation of Non-instructional Services</u>							
Food Service	\$ 2,001,483	\$ (56,648)	\$ 43,574	\$ 1,988,409	\$ 1,991,237	\$ 2,215,549	\$ 227,140
Community Services	79,201	(6,102)	0	73,099	130,670	130,670	57,571
Total Expenditures	<u>\$ 2,080,684</u>	<u>\$ (62,750)</u>	<u>\$ 43,574</u>	<u>\$ 2,061,508</u>	<u>\$ 2,121,907</u>	<u>\$ 2,346,219</u>	<u>\$ 284,711</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 285,652</u>	<u>\$ 62,750</u>	<u>\$ (43,574)</u>	<u>\$ 304,828</u>	<u>\$ 0</u>	<u>\$ (224,312)</u>	<u>\$ 529,140</u>
Net Change in Fund Balance	\$ 285,652	\$ 62,750	\$ (43,574)	\$ 304,828	\$ 0	\$ (224,312)	\$ 529,140
Fund Balance, July 1, 2015	<u>1,314,687</u>	<u>(62,750)</u>	<u>0</u>	<u>1,251,937</u>	<u>1,252,284</u>	<u>1,252,284</u>	<u>(347)</u>
Fund Balance, June 30, 2016	<u>\$ 1,600,339</u>	<u>\$ 0</u>	<u>\$ (43,574)</u>	<u>\$ 1,556,765</u>	<u>\$ 1,252,284</u>	<u>\$ 1,027,972</u>	<u>\$ 528,793</u>

MISCELLANEOUS SCHEDULES

Exhibit J-1

Morgan County, Tennessee
Schedule of Changes in Long-term Bonds, Notes, Other Loans, and Capital Leases
For the Year Ended June 30, 2016

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-15	Paid and/or Matured During Period	Outstanding 6-30-16
<u>BONDS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
General Obligation School Series 2010	\$ 6,400,000	2 to 3 %	10-13-10	4-1-26	\$ 4,620,000	\$ 365,000	\$ 4,255,000
Total Bonds Payable					<u>\$ 4,620,000</u>	<u>\$ 365,000</u>	<u>\$ 4,255,000</u>
<u>NOTES PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Energy Efficiency Loan	498,478	0	9-15-08	10-1-15	\$ 71,213	\$ 71,213	\$ 0
School Transportation Facility	180,000	4.25	12-27-10	12-1-17	70,048	27,135	42,913
Total Notes Payable					<u>\$ 141,261</u>	<u>\$ 98,348</u>	<u>\$ 42,913</u>
<u>OTHER LOANS PAYABLE</u>							
<u>Payable through General Debt Service Fund</u>							
Public Building Authority of Blount County							
Public Improvement - Series B-13-A	1,750,000	5.6 to 6	10-18-07	6-30-24	\$ 1,625,000	\$ 150,000	\$ 1,475,000
Public Building Authority of Blount County							
Public Improvement - Series B-20-A	750,000	4.25 to 5	6-15-10	6-1-27	750,000	0	750,000
Public Building Authority of the City of							
Clarksville - Series 2009	2,000,000	Variable	12-15-09	5-25-29	1,638,000	83,000	1,555,000
Public Building Authority of Sevier							
County - Series VII-A-3	10,095,000	Variable (1)	8-28-08	6-1-26	10,095,000	670,000	9,425,000
Total Other Loans Payable					<u>\$ 14,108,000</u>	<u>\$ 903,000</u>	<u>\$ 13,205,000</u>

(Continued)

Exhibit J-1

Morgan County, Tennessee

Schedule of Changes in Long-term Bonds, Notes, Other Loans and Capital Leases (Cont.)

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 7-1-15	Paid and/or Matured During Period	Outstanding 6-30-16
<u>CAPITAL LEASES PAYABLE</u>							
<u>Payable through General Fund</u>							
Ford Motor Credit Company - Sheriff Department Vehicles	\$ 261,273	5.5 %	3-31-15	9-30-18	\$ 225,431	\$ 60,102	\$ 165,329
Republic First National - Remounted Ambulance	75,997	3.49	10-12-14	8-15-16	75,997	37,814	38,183
<u>Payable through Solid Waste/Sanitation Fund</u>							
Garbage Truck	193,342	2.92	3-1-13	3-1-18	119,327	38,636	80,691
<u>Payable by the School Department through Contributions from the General Purpose School Fund to the Primary Government</u>							
Football Field Lighting	601,414	2.63	4-7-08	8-1-17	206,616	65,488	141,128
Total Capital Leases Payable					<u>\$ 627,371</u>	<u>\$ 202,040</u>	<u>\$ 425,331</u>

(1) An interest rate swap agreement is associated with this issue as discussed in the notes to the financial statements.

Exhibit J-2

Morgan County, Tennessee
Schedule of Long-term Debt Requirements by Year

Year Ending June 30	Bonds		
	Principal	Interest	Total
2017	\$ 375,000	\$ 112,235	\$ 487,235
2018	385,000	104,735	489,735
2019	390,000	96,073	486,073
2020	410,000	86,810	496,810
2021	420,000	76,560	496,560
2022	425,000	65,640	490,640
2023	440,000	54,165	494,165
2024	455,000	41,845	496,845
2025	470,000	28,650	498,650
2026	485,000	14,550	499,550
Total	<u>\$ 4,255,000</u>	<u>\$ 681,263</u>	<u>\$ 4,936,263</u>

Year Ending June 30	Notes		
	Principal	Interest	Total
2017	\$ 28,307	\$ 1,527	\$ 29,834
2018	14,606	311	14,917
Total	<u>\$ 42,913</u>	<u>\$ 1,838</u>	<u>\$ 44,751</u>

(Continued)

Exhibit J-2

Morgan County, Tennessee

Schedule of Long-term Debt Requirements by Year (Cont.)

Year Ending June 30	Other Loans			
	Principal	Interest	Other Fees	Total
2017	\$ 958,000	\$ 629,078	\$ 33,826	\$ 1,620,904
2018	1,002,000	582,038	31,445	1,615,483
2019	1,077,000	532,785	28,937	1,638,722
2020	1,131,000	479,174	26,285	1,636,459
2021	1,212,000	422,894	23,480	1,658,374
2022	1,272,000	362,437	20,512	1,654,949
2023	1,333,000	299,042	17,373	1,649,415
2024	1,418,000	232,704	14,056	1,664,760
2025	1,465,000	161,928	10,570	1,637,498
2026	1,536,000	91,175	6,874	1,634,049
2027	493,000	16,950	2,977	512,927
2028	150,000	1,417	2,033	153,450
2029	158,000	727	1,043	159,770
Total	\$ 13,205,000	\$ 3,812,349	\$ 219,411	\$ 17,236,760

Year Ending June 30	Capital Leases		
	Principal	Interest	Total
2017	\$ 210,217	\$ 19,088	\$ 229,305
2018	180,229	9,564	189,793
2019	34,885	959	35,844
Total	\$ 425,331	\$ 29,611	\$ 454,942

Exhibit J-3

Morgan County, Tennessee
Schedule of Transfers – Primary Government and Discretely Presented
Morgan County School Department
For the Year Ended June 30, 2016

From Fund	To Fund	Purpose	Amount
<u>PRIMARY GOVERNMENT</u>			
General Fund	General Capital Projects	Matching on GRW Project	\$ 69,000
General Fund	General Capital Projects	Cash Flow in Fund 171	31,000
Drug Control	General	Drug Officer Salary	<u>23,886</u>
Total Transfers Primary Government			<u>\$ 123,886</u>
<u>DISCRETELY PRESENTED MORGAN</u> <u>COUNTY SCHOOL DEPARTMENT</u>			
General Purpose School	School Federal Projects Fund	Cost-sharing Match for Grant	<u>\$ 24,501</u>
Total Transfers Discretely Presented Morgan County School Department			<u>\$ 24,501</u>

Exhibit J-4

Morgan County, Tennessee
Schedule of Salaries and Official Bonds of Principal Officials
Primary Government and Discretely Presented Morgan County School Department
For the Year Ended June 30, 2016

Official	Authorization for Salary	Salary Paid During Period	Bond	Surety
County Executive	Section 8-24-102, <i>TCA</i>	\$ 73,738	\$ 100,000	RLI Insurance Company
Road Superintendent:	Section 8-24-102, <i>TCA</i>	70,228	100,000	"
Director of Schools	State Board of Education and County Board of Education	97,350 (1)	50,000	"
Trustee	Section 8-24-102, <i>TCA</i>	63,843	925,000	"
Assessor of Property	Section 8-24-102, <i>TCA</i>	63,843	50,000	"
County Clerk	Section 8-24-102, <i>TCA</i>	63,843	100,000	"
Circuit and General Sessions Courts Clerk	Section 8-24-102, <i>TCA</i>	63,843	100,000	"
Clerk and Master	Section 8-24-102, <i>TCA</i> and Chancery Court Judge	63,843 (2)	100,000	"
Register of Deeds	Section 8-24-102, <i>TCA</i>	63,843	100,000	"
Sheriff	Section 8-24-102, <i>TCA</i>	70,828 (3)	100,000	"
Director of Finance	County Commission	64,135 (4)	100,000	"
County Employees Blanket Bond Coverage:				
Employee Dishonesty - County			150,000	RLI Insurance Company
Employee Dishonesty - School Department			150,000	Tennessee Risk Management Trust

- (1) Includes a chief executive officer training supplement of \$1,000 and a bonus payment of \$1,350.
(2) Does not include special commissioner fees of \$660.
(3) Includes a law enforcement training salary supplement of \$600.
(4) Includes a \$1,300 longevity supplement and \$8,547, which is appropriated as a salary supplement in the General Fund and reimbursed by the School Department.

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
For the Year Ended June 30, 2016

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Local Taxes</u>						
<u>County Property Taxes</u>						
Current Property Tax	\$ 4,282,275	\$ 753,968	\$ 0	\$ 0	\$ 60,420	\$ 551,681
Trustee's Collections - Prior Year	228,881	45,340	0	0	3,290	30,031
Trustee's Collections - Bankruptcy	27	5	0	0	0	3
Circuit Clerk/Clerk and Master Collections - Prior Years	154,962	26,751	0	0	2,109	19,253
Interest and Penalty	42,794	8,361	0	0	613	5,601
Pickup Taxes	5,555	1,012	0	0	79	719
Payments in-Lieu-of Taxes - Local Utilities	28,016	0	0	0	0	0
Payments in-Lieu-of Taxes - Other	16,141	0	0	0	0	0
<u>County Local Option Taxes</u>						
Local Option Sales Tax	0	0	0	0	0	933,953
Litigation Tax - General	29,230	0	0	0	0	0
Litigation Tax - Special Purpose	62,512	0	0	0	0	0
Litigation Tax - Jail, Workhouse, or Courthouse	31,711	0	0	0	0	0
Litigation Tax - Courthouse Security	2,612	0	0	0	0	0
Business Tax	40,728	0	0	0	0	0
Mixed Drink Tax	483	0	0	0	0	0
Mineral Severance Tax	0	0	0	0	40,554	0
Other County Local Option Taxes	3,465	0	0	0	0	0
<u>Statutory Local Taxes</u>						
Bank Excise Tax	12,072	0	0	0	0	0
Beer Privilege Tax	100	0	0	0	0	0
Interstate Telecommunications Tax	0	0	0	0	0	3,548
Total Local Taxes	\$ 4,941,564	\$ 835,437	\$ 0	\$ 0	\$ 107,065	\$ 1,544,789

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Licenses and Permits</u>						
<u>Licenses</u>						
Marriage Licenses	\$ 530	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Cable TV Franchise	59,384	0	0	0	0	0
<u>Permits</u>						
Beer Permits	950	0	0	0	0	0
Total Licenses and Permits	<u>\$ 60,864</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Fines, Forfeitures, and Penalties</u>						
<u>Circuit Court</u>						
Fines	\$ 6,430	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Drug Court Fees	963	0	0	0	0	0
DUI Treatment Fines	285	0	0	0	0	0
Data Entry Fee - Circuit Court	648	0	0	0	0	0
Courtroom Security Fee	1,295	0	0	0	0	0
Victims Assistance Assessments	1,014	0	0	0	0	0
<u>General Sessions Court</u>						
Fines	12,811	0	0	0	0	0
Fines for Littering	8	0	0	0	0	0
Officers Costs	25,364	0	0	0	0	0
Game and Fish Fines	887	0	0	0	0	0
Drug Control Fines	0	0	60,651	0	0	0
Drug Court Fees	3,689	0	0	0	0	0
Jail Fees	2,240	0	0	0	0	0
DUI Treatment Fines	3,895	0	0	0	0	0
Data Entry Fee - General Sessions Court	4,877	0	0	0	0	0
Courtroom Security Fee	26,641	0	0	0	0	0
Victims Assistance Assessments	8,192	0	0	0	0	0

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fines, Forfeitures, and Penalties (Cont.)</u>						
<u>Juvenile Court</u>						
Fines	\$ 484	\$ 0	\$ 0	\$ 0	\$ 0	0
Officers Costs	2,106	0	0	0	0	0
Data Entry Fee - Juvenile Court	469	0	0	0	0	0
<u>Chancery Court</u>						
Officers Costs	1,271	0	0	0	0	0
Data Entry Fee - Chancery Court	3,090	0	0	0	0	0
Courtroom Security Fee	52	0	0	0	0	0
<u>Judicial District Drug Program</u>						
Data Entry Fee - Other Courts	232	0	0	0	0	0
<u>Other Fines, Forfeitures, and Penalties</u>						
Proceeds from Confiscated Property	0	0	4,527	0	0	0
Total Fines, Forfeitures, and Penalties	\$ 106,943	\$ 0	\$ 65,178	\$ 0	\$ 0	0
<u>Charges for Current Services</u>						
<u>General Service Charges</u>						
Solid Waste Disposal Fee	\$ 0	\$ 228,773	\$ 0	\$ 0	\$ 0	0
Patient Charges	844,527	0	0	0	0	0
Other General Service Charges	114	0	0	0	0	0
<u>Fees</u>						
Copy Fees	5,678	0	0	0	0	0
Library Fees	9,550	0	0	0	0	0
Telephone Commissions	12,681	0	0	0	0	0
Constitutional Officers' Fees and Commissions	0	0	0	31,603	0	0
Special Commissioner Fees/Special Master Fees	0	0	0	660	0	0
Data Processing Fee - Register	5,920	0	0	0	0	0

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Charges for Current Services (Cont.)</u>						
<u>Fees (Cont.)</u>						
Data Processing Fee - Sheriff	\$ 2,136	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Sexual Offender Registration Fee - Sheriff	2,250	0	0	0	0	0
Data Processing Fee - County Clerk	3,646	0	0	0	0	0
<u>Education Charges</u>						
Other Charges for Services	0	0	0	0	338	0
Total Charges for Current Services	\$ 886,502	\$ 228,773	\$ 0	\$ 32,263	\$ 338	\$ 0
<u>Other Local Revenues</u>						
<u>Recurring Items</u>						
Investment Income	\$ 2,715	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Lease/Rentals	62	0	0	0	0	0
Commissary Sales	7,050	0	0	0	0	0
Sale of Gasoline	0	0	0	0	53,601	0
Sale of Recycled Materials	0	20,762	0	0	0	0
Miscellaneous Refunds	6,188	461	0	0	1,300	0
<u>Nonrecurring Items</u>						
Sale of Equipment	85,082	0	0	0	0	0
Sale of Property	12,372	0	0	0	0	0
Damages Recovered from Individuals	1,550	0	0	0	0	0
Contributions and Gifts	64,707	0	0	0	0	0
Total Other Local Revenues	\$ 179,726	\$ 21,223	\$ 0	\$ 0	\$ 54,901	\$ 0
<u>Fees Received From County Officials</u>						
<u>Fees In-Lieu-of Salary</u>						
County Clerk	\$ 161,297	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>Fees Received From County Officials (Cont.)</u>						
<u>Fees In-Lieu-of Salary (Cont.)</u>						
Circuit Court Clerk	\$ 26,311	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
General Sessions Court Clerk	97,665	0	0	0	0	0
Clerk and Master	78,802	0	0	0	0	0
Juvenile Court Clerk	13,192	0	0	0	0	0
Register	66,964	0	0	0	0	0
Sheriff	10,369	0	0	0	0	0
Trustee	278,361	0	0	0	0	0
Total Fees Received From County Officials	\$ 732,961	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<u>State of Tennessee</u>						
<u>General Government Grants</u>						
Juvenile Services Program	\$ 13,845	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Solid Waste Grants	0	4,539	0	0	0	0
<u>Public Safety Grants</u>						
Law Enforcement Training Programs	12,000	0	0	0	0	0
Drug Control Grants	56,299	0	0	0	0	0
<u>Public Works Grants</u>						
State Aid Program	0	0	0	0	727,103	0
Litter Program	0	33,350	0	0	0	0
Tennessee Industrial Infrastructure Program	0	0	0	0	0	0
Other Public Works Grants	0	0	0	0	25,546	0
<u>Other State Revenues</u>						
Income Tax	14,087	0	0	0	0	0
Beer Tax	18,488	0	0	0	0	0
Alcoholic Beverage Tax	59,008	0	0	0	0	0

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Special Revenue Funds					Debt Service Fund
	General	Solid Waste / Sanitation	Drug Control	Constitutional Officers - Fees	Highway / Public Works	General Debt Service
<u>State of Tennessee (Cont.)</u>						
<u>Other State Revenues (Cont.)</u>						
State Revenue Sharing - T.V.A.	\$ 343,199	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Contracted Prisoner Boarding	157,583	0	0	0	0	0
Gasoline and Motor Fuel Tax	0	0	0	0	1,833,650	0
Petroleum Special Tax	0	0	0	0	15,865	0
Registrar's Salary Supplement	15,614	0	0	0	0	0
Other State Grants	14,423	0	0	0	0	0
Other State Revenues	15,922	0	0	0	0	0
Total State of Tennessee	<u>\$ 720,468</u>	<u>\$ 37,889</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,602,164</u>	<u>\$ 0</u>
<u>Federal Government</u>						
<u>Federal Through State</u>						
Community Development	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Disaster Relief	0	0	0	0	248,018	0
Homeland Security Grants	0	0	0	0	0	0
Other Federal through State	7,696	0	0	0	0	0
<u>Direct Federal Revenue</u>						
Other Direct Federal Revenue	1,600	0	0	0	0	0
Total Federal Government	<u>\$ 9,296</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 248,018</u>	<u>\$ 0</u>
<u>Other Governments and Citizens Groups</u>						
<u>Other Governments</u>						
Contributions	\$ 9,865	\$ 0	\$ 0	\$ 0	\$ 0	\$ 590,355
Contracted Services	115,000	0	0	0	0	0
<u>Other</u>						
Other	0	0	0	0	0	0
Total Other Governments and Citizens Groups	<u>\$ 124,865</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 590,355</u>
Total	<u>\$ 7,763,189</u>	<u>\$ 1,123,322</u>	<u>\$ 65,178</u>	<u>\$ 32,263</u>	<u>\$ 3,012,486</u>	<u>\$ 2,135,144</u>

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	<u>Capital</u> <u>Projects Fund</u>		
	General	Capital	Total
	Projects		
<hr/>			
<u>Local Taxes</u>			
<u>County Property Taxes</u>			
Current Property Tax	\$	0	\$ 5,648,344
Trustee's Collections - Prior Year		0	307,542
Trustee's Collections - Bankruptcy		0	35
Circuit Clerk/Clerk and Master Collections - Prior Years		0	203,075
Interest and Penalty		0	57,369
Pickup Taxes		0	7,365
Payments in-Lieu-of Taxes - Local Utilities		0	28,016
Payments in-Lieu-of Taxes - Other		0	16,141
<u>County Local Option Taxes</u>			
Local Option Sales Tax		0	933,953
Litigation Tax - General		0	29,230
Litigation Tax - Special Purpose		0	62,512
Litigation Tax - Jail, Workhouse, or Courthouse		0	31,711
Litigation Tax - Courthouse Security		0	2,612
Business Tax		0	40,728
Mixed Drink Tax		0	483
Mineral Severance Tax		0	40,554
Other County Local Option Taxes		0	3,465
<u>Statutory Local Taxes</u>			
Bank Excise Tax		0	12,072
Beer Privilege Tax		0	100
Interstate Telecommunications Tax		0	3,548
Total Local Taxes	\$	0	\$ 7,428,855

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Capital Projects Fund		
	General Capital Projects	Total	
<hr/>			
<u>Licenses and Permits</u>			
<u>Licenses</u>			
Marriage Licenses	\$	0	\$ 530
Cable TV Franchise		0	59,384
<u>Permits</u>			
Beer Permits		0	950
Total Licenses and Permits	<u>\$</u>	<u>0</u>	<u>\$ 60,864</u>
<hr/>			
<u>Fines, Forfeitures, and Penalties</u>			
<u>Circuit Court</u>			
Fines	\$	0	\$ 6,430
Drug Court Fees		0	963
DUI Treatment Fines		0	285
Data Entry Fee - Circuit Court		0	648
Courtroom Security Fee		0	1,295
Victims Assistance Assessments		0	1,014
<u>General Sessions Court</u>			
Fines		0	12,811
Fines for Littering		0	8
Officers Costs		0	25,364
Game and Fish Fines		0	887
Drug Control Fines		0	60,651
Drug Court Fees		0	3,689
Jail Fees		0	2,240
DUI Treatment Fines		0	3,895
Data Entry Fee - General Sessions Court		0	4,877
Courtroom Security Fee		0	26,641
Victims Assistance Assessments		0	8,192

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Capital Projects Fund		
	General Capital Projects	Total	
<hr/>			
<u>Fines, Forfeitures, and Penalties (Cont.)</u>			
<u>Juvenile Court</u>			
Fines	\$	0	\$ 484
Officers Costs		0	2,106
Data Entry Fee - Juvenile Court		0	469
<u>Chancery Court</u>			
Officers Costs		0	1,271
Data Entry Fee - Chancery Court		0	3,090
Courtroom Security Fee		0	52
<u>Judicial District Drug Program</u>			
Data Entry Fee - Other Courts		0	232
<u>Other Fines, Forfeitures, and Penalties</u>			
Proceeds from Confiscated Property		0	4,527
Total Fines, Forfeitures, and Penalties	\$	0	\$ 172,121
<hr/>			
<u>Charges for Current Services</u>			
<u>General Service Charges</u>			
Solid Waste Disposal Fee	\$	0	\$ 228,773
Patient Charges		0	844,527
Other General Service Charges		0	114
<u>Fees</u>			
Copy Fees		0	5,678
Library Fees		0	9,550
Telephone Commissions		0	12,681
Constitutional Officers' Fees and Commissions		0	31,603
Special Commissioner Fees/Special Master Fees		0	660
Data Processing Fee - Register		0	5,920

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Capital Projects Fund		
	General Capital Projects	Total	
<hr/>			
<u>Charges for Current Services (Cont.)</u>			
<u>Fees (Cont.)</u>			
Data Processing Fee - Sheriff	\$	0	\$ 2,136
Sexual Offender Registration Fee - Sheriff		0	2,250
Data Processing Fee - County Clerk		0	3,646
<u>Education Charges</u>			
Other Charges for Services		0	338
Total Charges for Current Services	<hr/>	<hr/>	<hr/>
	\$	0	\$ 1,147,876
<hr/>			
<u>Other Local Revenues</u>			
<u>Recurring Items</u>			
Investment Income	\$	0	\$ 2,715
Lease/Rentals		0	62
Commissary Sales		0	7,050
Sale of Gasoline		0	53,601
Sale of Recycled Materials		0	20,762
Miscellaneous Refunds		0	7,949
<u>Nonrecurring Items</u>			
Sale of Equipment		0	85,082
Sale of Property		0	12,372
Damages Recovered from Individuals		0	1,550
Contributions and Gifts		0	64,707
Total Other Local Revenues	<hr/>	<hr/>	<hr/>
	\$	0	\$ 255,850
<hr/>			
<u>Fees Received From County Officials</u>			
<u>Fees In-Lieu-of Salary</u>			
County Clerk	\$	0	\$ 161,297

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	Capital Projects Fund		
	General Capital Projects		Total
<hr/>			
Fees Received From County Officials (Cont.)			
<u>Fees In-Lieu-of Salary (Cont.)</u>			
Circuit Court Clerk	\$	0	\$ 26,311
General Sessions Court Clerk		0	97,665
Clerk and Master		0	78,802
Juvenile Court Clerk		0	13,192
Register		0	66,964
Sheriff		0	10,369
Trustee		0	278,361
Total Fees Received From County Officials	\$	0	\$ 732,961
<hr/>			
<u>State of Tennessee</u>			
<u>General Government Grants</u>			
Juvenile Services Program	\$	0	\$ 13,845
Solid Waste Grants		0	4,539
<u>Public Safety Grants</u>			
Law Enforcement Training Programs		0	12,000
Drug Control Grants		0	56,299
<u>Public Works Grants</u>			
State Aid Program		0	727,103
Litter Program		0	33,350
Tennessee Industrial Infrastructure Program		200,000	200,000
Other Public Works Grants		0	25,546
<u>Other State Revenues</u>			
Income Tax		0	14,087
Beer Tax		0	18,488
Alcoholic Beverage Tax		0	59,008

(Continued)

Exhibit J-5

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types (Cont.)

	<u>Capital Projects Fund</u>	
	General Capital Projects	Total
<u>State of Tennessee (Cont.)</u>		
<u>Other State Revenues (Cont.)</u>		
State Revenue Sharing - T.V.A.	\$ 0	\$ 343,199
Contracted Prisoner Boarding	0	157,583
Gasoline and Motor Fuel Tax	0	1,833,650
Petroleum Special Tax	0	15,865
Registrar's Salary Supplement	0	15,614
Other State Grants	88,880	103,303
Other State Revenues	0	15,922
Total State of Tennessee	<u>\$ 288,880</u>	<u>\$ 3,649,401</u>
<u>Federal Government</u>		
<u>Federal Through State</u>		
Community Development	\$ 389,158	\$ 389,158
Disaster Relief	0	248,018
Homeland Security Grants	7,400	7,400
Other Federal through State	15,005	22,701
<u>Direct Federal Revenue</u>		
Other Direct Federal Revenue	0	1,600
Total Federal Government	<u>\$ 411,563</u>	<u>\$ 668,877</u>
<u>Other Governments and Citizens Groups</u>		
<u>Other Governments</u>		
Contributions	\$ 0	\$ 600,220
Contracted Services	0	115,000
<u>Other</u>		
Other	75,000	75,000
Total Other Governments and Citizens Groups	<u>\$ 75,000</u>	<u>\$ 790,220</u>
Total	<u>\$ 775,443</u>	<u>\$ 14,907,025</u>

Exhibit J-6

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2016

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Local Taxes</u>				
<u>County Property Taxes</u>				
Current Property Tax	\$ 2,495,702	\$ 0	\$ 0	\$ 2,495,702
Trustee's Collections - Prior Year	135,896	0	0	135,896
Trustee's Collections - Bankruptcy	16	0	0	16
Circuit Clerk/Clerk and Master Collections - Prior Years	87,099	0	0	87,099
Interest and Penalty	25,356	0	0	25,356
Pickup Taxes	3,254	0	0	3,254
<u>Statutory Local Taxes</u>				
Wholesale Beer Tax	66,694	0	0	66,694
Total Local Taxes	<u>\$ 2,814,017</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,814,017</u>
<u>Licenses and Permits</u>				
<u>Licenses</u>				
Marriage Licenses	\$ 525	\$ 0	\$ 0	\$ 525
Total Licenses and Permits	<u>\$ 525</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 525</u>
<u>Charges for Current Services</u>				
<u>Education Charges</u>				
Tuition - Regular Day Students	\$ 10,664	\$ 0	\$ 0	\$ 10,664
Tuition - Other	350	0	0	350
Lunch Payments - Children	0	0	69,612	69,612
Lunch Payments - Adults	0	0	33,576	33,576
Income from Breakfast	0	0	3,007	3,007
A la Carte Sales	0	0	79,707	79,707
Other Charges for Services	791	0	13,789	14,580
Total Charges for Current Services	<u>\$ 11,805</u>	<u>\$ 0</u>	<u>\$ 199,691</u>	<u>\$ 211,496</u>

(Continued)

Exhibit J-6

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Other Local Revenues</u>				
<u>Recurring Items</u>				
Investment Income	\$ 6,276	\$ 0	\$ 3,216	\$ 9,492
E-Rate Funding	73,461	0	0	73,461
Miscellaneous Refunds	9,053	552	4	9,609
<u>Other Local Revenues</u>				
Other Local Revenues	464,584	0	0	464,584
Total Other Local Revenues	<u>\$ 553,374</u>	<u>\$ 552</u>	<u>\$ 3,220</u>	<u>\$ 557,146</u>
<u>State of Tennessee</u>				
<u>General Government Grants</u>				
On-behalf Contributions for OPEB	\$ 61,633	\$ 0	\$ 0	\$ 61,633
<u>Health and Welfare Grants</u>				
Other Health and Welfare Grants	11,000	0	0	11,000
<u>State Education Funds</u>				
Basic Education Program	18,264,000	0	0	18,264,000
Early Childhood Education	645,549	0	0	645,549
School Food Service	0	0	19,941	19,941
Driver Education	16,736	0	0	16,736
Other State Education Funds	484,801	0	0	484,801
Career Ladder Program	97,975	0	0	97,975
<u>Other State Revenues</u>				
State Revenue Sharing - T.V.A.	343,199	0	0	343,199
Other State Revenues	118,408	0	0	118,408
Total State of Tennessee	<u>\$ 20,043,301</u>	<u>\$ 0</u>	<u>\$ 19,941</u>	<u>\$ 20,063,242</u>

(Continued)

Exhibit J-6

Morgan County, Tennessee
Schedule of Detailed Revenues -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

	<u>Special Revenue Funds</u>			
	General Purpose School	School Federal Projects	Central Cafeteria	Total
<u>Federal Government</u>				
<u>Federal Through State</u>				
USDA School Lunch Program	\$ 0	\$ 0	\$ 1,398,645	\$ 1,398,645
USDA - Commodities	0	0	111,499	111,499
Breakfast	0	0	592,696	592,696
USDA - Other	0	0	37,494	37,494
Vocational Education - Basic Grants to States	0	53,430	0	53,430
Title I Grants to Local Education Agencies	0	885,732	0	885,732
Special Education - Grants to States	26,572	678,906	0	705,478
Special Education Preschool Grants	0	36,899	0	36,899
Rural Education	0	32,139	0	32,139
Eisenhower Professional Development State Grants	0	134,175	0	134,175
Other Federal through State	0	0	3,150	3,150
<u>Direct Federal Revenue</u>				
Other Direct Federal Revenue	0	298,683	0	298,683
Total Federal Government	<u>\$ 26,572</u>	<u>\$ 2,119,964</u>	<u>\$ 2,143,484</u>	<u>\$ 4,290,020</u>
<u>Other Governments and Citizens Groups</u>				
<u>Other Governments</u>				
Contributions	\$ 148,220	\$ 0	\$ 0	\$ 148,220
Total Other Governments and Citizens Groups	<u>\$ 148,220</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 148,220</u>
Total	<u>\$ 23,597,814</u>	<u>\$ 2,120,516</u>	<u>\$ 2,366,336</u>	<u>\$ 28,084,666</u>

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
For the Year Ended June 30, 2016

General FundGeneral GovernmentCounty Commission

Board and Committee Members Fees	\$	23,005	
Social Security		1,426	
Employer Medicare		334	
Audit Services		6,596	
Dues and Memberships		13,911	
Legal Services		2,815	
Legal Notices, Recording, and Court Costs		778	
Pauper Burials		1,000	
Postal Charges		471	
Office Supplies		608	
Other Supplies and Materials		34	
Premiums on Corporate Surety Bonds		10,325	
Other Charges		1,226	
Total County Commission			\$ 62,529

County Mayor/Executive

County Official/Administrative Officer	\$	73,738	
Assistant(s)		24,960	
Part-time Personnel		11,804	
Longevity Pay		200	
Social Security		6,629	
Pensions		7,684	
Medical Insurance		19,721	
Employer Medicare		1,550	
Communication		3,884	
Postal Charges		196	
Travel		1,605	
Office Supplies		485	
Total County Mayor/Executive			152,456

County Attorney

Legal Services	\$	10,136	
Total County Attorney			10,136

Election Commission

County Official/Administrative Officer	\$	57,459	
Clerical Personnel		20,769	
Temporary Personnel		144	
Longevity Pay		300	
Election Commission		2,700	
Election Workers		9,587	
Social Security		4,873	
Pensions		6,102	
Employer Medicare		1,140	
Advertising		1,811	
Communication		2,425	
Dues and Memberships		175	

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)General Government (Cont.)Election Commission (Cont.)

Maintenance and Repair Services - Office Equipment	\$	10,397	
Postal Charges		500	
Rentals		1,100	
Travel		3,377	
Office Supplies		11,318	
Total Election Commission			\$ 134,177

Register of Deeds

County Official/Administrative Officer	\$	63,843	
Secretary(ies)		23,071	
Longevity Pay		1,200	
Social Security		5,222	
Pensions		6,846	
Medical Insurance		15,281	
Employer Medicare		1,221	
Communication		2,372	
Dues and Memberships		458	
Postal Charges		298	
Printing, Stationery, and Forms		4,125	
Rentals		1,251	
Office Supplies		52	
Office Equipment		6,788	
Total Register of Deeds			132,028

County Buildings

Custodial Personnel	\$	20,004	
Longevity Pay		400	
Social Security		1,251	
Pensions		1,585	
Employer Medicare		292	
Communication		4,244	
Maintenance and Repair Services - Buildings		58,584	
Pest Control		4,080	
Rentals		7,500	
Custodial Supplies		6,710	
Electricity		60,673	
Natural Gas		5,308	
Office Supplies		8,991	
Water and Sewer		10,105	
Other Supplies and Materials		1,006	
Liability Insurance		117,737	
Workers' Compensation Insurance		118,418	
Total County Buildings			426,888

FinanceAccounting and Budgeting

Supervisor/Director	\$	54,288	
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(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Finance (Cont.)Accounting and Budgeting (Cont.)

Accountants/Bookkeepers	\$	90,529	
Salary Supplements		8,547	
Longevity Pay		6,700	
Social Security		9,570	
Pensions		12,352	
Medical Insurance		38,756	
Employer Medicare		2,235	
Communication		3,265	
Maintenance and Repair Services - Office Equipment		11,815	
Postal Charges		5,151	
Travel		683	
Office Supplies		5,410	
In Service/Staff Development		270	
Data Processing Equipment		860	
Total Accounting and Budgeting			\$ 250,431

Property Assessor's Office

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		68,557	
Longevity Pay		4,200	
Board and Committee Members Fees		2,850	
Social Security		8,133	
Pensions		10,614	
Medical Insurance		19,260	
Employer Medicare		1,902	
Advertising		246	
Audit Services		1,140	
Communication		1,169	
Data Processing Services		4,933	
Maintenance and Repair Services - Office Equipment		1,905	
Postal Charges		734	
Travel		466	
Office Supplies		2,314	
Motor Vehicles		600	
Total Property Assessor's Office			192,866

Reappraisal Program

Part-time Personnel	\$	8,632	
Social Security		535	
Employer Medicare		125	
Advertising		302	
Communication		333	
Data Processing Services		6,163	
Postal Charges		5,681	
Travel		442	
Office Supplies		2,024	
Other Supplies and Materials		449	
Total Reappraisal Program			24,686

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Finance (Cont.)County Trustee's Office

County Official/Administrative Officer	\$	63,843	
Accountants/Bookkeepers		21,073	
Secretary(ies)		22,104	
Part-time Personnel		4,815	
Longevity Pay		1,200	
Social Security		6,690	
Pensions		8,409	
Medical Insurance		19,723	
Employer Medicare		1,565	
Advertising		182	
Communication		1,168	
Data Processing Services		7,754	
Dues and Memberships		468	
Maintenance and Repair Services - Office Equipment		9,705	
Postal Charges		2,052	
Office Supplies		1,646	
Total County Trustee's Office			\$ 172,397

County Clerk's Office

County Official/Administrative Officer	\$	63,843	
Secretary(ies)		37,843	
Part-time Personnel		6,138	
Longevity Pay		1,900	
Social Security		6,256	
Pensions		8,633	
Medical Insurance		31,156	
Employer Medicare		1,463	
Communication		3,903	
Dues and Memberships		558	
Postal Charges		3,100	
Travel		42	
Office Supplies		19,368	
Total County Clerk's Office			184,203

Administration of JusticeCircuit Court

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		85,938	
Part-time Personnel		10,053	
Longevity Pay		3,500	
Overtime Pay		1,033	
Social Security		9,113	
Pensions		11,928	
Medical Insurance		58,062	
Employer Medicare		2,131	
Communication		3,101	
Dues and Memberships		140	

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Administration of Justice (Cont.)Circuit Court (Cont.)

Maintenance and Repair Services - Office Equipment	\$	15,626	
Postal Charges		1,631	
Rentals		2,364	
Office Supplies		9,843	
Total Circuit Court			\$ 278,306

Criminal Court

Jury and Witness Expense	\$	7,831	
Postal Charges		800	
Total Criminal Court			8,631

General Sessions Court

Paraprofessionals	\$	6,115	
Clerical Personnel		20,682	
Longevity Pay		800	
Social Security		1,653	
Pensions		2,113	
Medical Insurance		5,802	
Employer Medicare		387	
Communication		2,170	
Dues and Memberships		220	
Postal Charges		250	
Travel		3,666	
Office Supplies		2,956	
Total General Sessions Court			46,814

General Sessions Judge

Judge(s)	\$	113,816	
Social Security		6,777	
Pensions		8,844	
Medical Insurance		14,221	
Employer Medicare		1,585	
Total General Sessions Judge			145,243

Drug Court

Assistant(s)	\$	21,136	
Guards		5,422	
Longevity Pay		400	
Social Security		1,519	
Pensions		1,642	
Medical Insurance		6,776	
Unemployment Compensation		91	
Employer Medicare		355	
Communication		2,374	
Postal Charges		250	
Travel		7,548	
Other Contracted Services		5,378	
Office Supplies		4,963	
Total Drug Court			57,854

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Administration of Justice (Cont.)Chancery Court

County Official/Administrative Officer	\$	63,843	
Clerical Personnel		45,329	
Longevity Pay		3,100	
Social Security		6,512	
Pensions		8,723	
Medical Insurance		24,032	
Employer Medicare		1,523	
Communication		2,224	
Dues and Memberships		472	
Maintenance and Repair Services - Office Equipment		66	
Postal Charges		1,500	
Travel		100	
Office Supplies		7,967	
Total Chancery Court			\$ 165,391

Juvenile Court

Social Workers	\$	21,684	
Longevity Pay		900	
Social Security		1,220	
Pensions		1,755	
Medical Insurance		8,860	
Employer Medicare		285	
Travel		1,027	
Office Supplies		1,181	
Total Juvenile Court			36,912

Courtroom Security

Supervisor/Director	\$	16,712	
Guards		53,019	
Social Security		4,323	
Employer Medicare		1,011	
Other Charges		1,289	
Law Enforcement Equipment		4,781	
Total Courtroom Security			81,135

Public SafetySheriff's Department

County Official/Administrative Officer	\$	70,228	
Deputy(ies)		625,219	
Salary Supplements		12,600	
Longevity Pay		8,900	
Overtime Pay		68,950	
Other Salaries and Wages		24,670	
Board and Committee Members Fees		650	
In-service Training		6,330	
Social Security		47,185	
Pensions		61,760	

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Safety (Cont.)Sheriff's Department (Cont.)

Medical Insurance	\$	179,736	
Employer Medicare		11,035	
Dues and Memberships		1,869	
Maintenance and Repair Services - Vehicles		263	
Postal Charges		2,352	
Travel		131	
Other Contracted Services		50,648	
Gasoline		57,442	
Law Enforcement Supplies		1,895	
Office Supplies		6,203	
Uniforms		811	
Vehicle Parts		24,362	
Other Supplies and Materials		1,653	
Other Charges		1,440	
Communication Equipment		16,275	
Data Processing Equipment		1,853	
Law Enforcement Equipment		10,204	
Total Sheriff's Department			\$ 1,294,664

Jail

Supervisor/Director	\$	36,400
Guards		481,892
Clerical Personnel		24,792
Maintenance Personnel		1,846
Longevity Pay		11,300
Overtime Pay		35,991
Other Salaries and Wages		22,828
In-service Training		3,469
Social Security		36,851
Pensions		49,677
Medical Insurance		114,717
Employer Medicare		8,582
Communication		34,759
Contracts with Private Agencies		125,669
Maintenance and Repair Services - Buildings		9,638
Maintenance and Repair Services - Equipment		5,105
Maintenance and Repair Services - Office Equipment		3,745
Medical and Dental Services		152,107
Pest Control		360
Travel		99
Other Contracted Services		5,119
Custodial Supplies		9,497
Drugs and Medical Supplies		466
Electricity		35,657
Food Supplies		2,286
Natural Gas		9,965
Office Supplies		3,278

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Safety (Cont.)Jail (Cont.)

Prisoners Clothing	\$	9,508	
Uniforms		2,301	
Water and Sewer		30,495	
Other Supplies and Materials		5,269	
Law Enforcement Equipment		3,171	
Total Jail			\$ 1,276,839

Juvenile Services

Other Contracted Services	\$	1,375	
Total Juvenile Services			1,375

Fire Prevention and Control

Medical Insurance	\$	10,168	
Contracts with Government Agencies		4,000	
Contributions		54,500	
Vehicle and Equipment Insurance		36,542	
Workers' Compensation Insurance		5,005	
Other Charges		20,495	
Total Fire Prevention and Control			130,710

Civil Defense

Supervisor/Director	\$	9,039	
Social Security		560	
Employer Medicare		131	
Communication		4,831	
Dues and Memberships		590	
Maintenance and Repair Services - Equipment		282	
Travel		806	
Food Supplies		321	
Gasoline		828	
Office Supplies		247	
Other Supplies and Materials		1,653	
Liability Insurance		2,315	
Total Civil Defense			21,603

Rescue Squad

Contributions	\$	3,000	
Total Rescue Squad			3,000

Other Emergency Management

Assistant(s)	\$	27,419	
Supervisor/Director		42,082	
Data Processing Personnel		1,026	
Dispatchers/Radio Operators		166,300	
Part-time Personnel		20,114	
Longevity Pay		7,600	
Overtime Pay		24,480	

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Safety (Cont.)Other Emergency Management (Cont.)

Other Salaries and Wages	\$	5,985	
Social Security		17,818	
Pensions		20,052	
Medical Insurance		28,453	
Unemployment Compensation		1,234	
Employer Medicare		4,167	
Total Other Emergency Management			\$ 366,730

County Coroner/Medical Examiner

Supervisor/Director	\$	19,000	
Social Security		62	
Employer Medicare		14	
Medical and Dental Services		18,900	
Total County Coroner/Medical Examiner			37,976

Other Public Safety

Contributions	\$	5,000	
Road Signs		1,200	
Total Other Public Safety			6,200

Public Health and WelfareLocal Health Center

Custodial Personnel	\$	4,767	
Social Security		296	
Employer Medicare		69	
Communication		3,369	
Contributions		19,327	
Maintenance and Repair Services - Buildings		800	
Maintenance and Repair Services - Equipment		733	
Postal Charges		86	
Custodial Supplies		771	
Drugs and Medical Supplies		348	
Electricity		4,443	
Natural Gas		804	
Office Supplies		1,339	
Water and Sewer		1,101	
Other Charges		18,060	
Total Local Health Center			56,313

Ambulance/Emergency Medical Services

Supervisor/Director	\$	46,318	
Accountants/Bookkeepers		24,278	
Medical Personnel		441,211	
Temporary Personnel		19,252	
Longevity Pay		17,800	
Overtime Pay		326,709	
Other Salaries and Wages		17,054	

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Public Health and Welfare (Cont.)Ambulance/Emergency Medical Services (Cont.)

In-service Training	\$	1,764	
Social Security		53,233	
Pensions		67,393	
Medical Insurance		145,490	
Employer Medicare		12,450	
Communication		7,718	
Dues and Memberships		530	
Licenses		1,750	
Maintenance and Repair Services - Equipment		11,127	
Maintenance and Repair Services - Vehicles		24,807	
Postal Charges		367	
Travel		1,294	
Other Contracted Services		31,747	
Custodial Supplies		2,730	
Drugs and Medical Supplies		69,416	
Electricity		6,228	
Gasoline		25,060	
Natural Gas		2,332	
Office Supplies		3,707	
Uniforms		4,810	
Water and Sewer		2,163	
Liability Insurance		23,518	
Other Charges		4,875	
Attendance Equipment		3,933	
Communication Equipment		1,106	
Data Processing Equipment		3,145	
Total Ambulance/Emergency Medical Services			\$ 1,405,315

Crippled Children Services

Contributions	\$	360	
Other Charges		5,000	
Total Crippled Children Services			5,360

Other Local Health Services

Clerical Personnel	\$	11,612	
Social Security		696	
Pensions		902	
Medical Insurance		2,606	
Employer Medicare		163	
Travel		132	
Total Other Local Health Services			16,111

Social, Cultural, and Recreational ServicesSenior Citizens Assistance

Other Charges	\$	4,199	
Total Senior Citizens Assistance			4,199

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Social, Cultural, and Recreational Services (Cont.)Libraries

Librarians	\$	48,756	
In-service Training		15	
Social Security		3,023	
Employer Medicare		707	
Communication		9,263	
Postal Charges		491	
Rentals		1,137	
Travel		731	
Instructional Supplies and Materials		289	
Office Supplies		1,200	
Periodicals		2,420	
Other Charges		8,988	
Data Processing Equipment		1,000	
Total Libraries			\$ 78,020

Parks and Fair Boards

Maintenance and Repair Services - Buildings	\$	1,058	
Total Parks and Fair Boards			1,058

Agriculture and Natural ResourcesAgricultural Extension Service

Communication	\$	3,214	
Maintenance and Repair Services - Office Equipment		1,150	
Travel		1,388	
Other Contracted Services		27,238	
Office Supplies		1,708	
Other Supplies and Materials		2,500	
Office Equipment		966	
Total Agricultural Extension Service			38,164

Soil Conservation

Contributions	\$	5,000	
Other Charges		9,000	
Total Soil Conservation			14,000

Other OperationsOther Economic and Community Development

Contributions	\$	23,000	
Total Other Economic and Community Development			23,000

Veterans' Services

Contributions	\$	9,388	
Other Contracted Services		15,000	
Total Veterans' Services			24,388

Miscellaneous

Life Insurance	\$	2,761	
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(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Fund (Cont.)Other Operations (Cont.)Miscellaneous (Cont.)

Unemployment Compensation	\$ 15,338	
Remittance of Revenue Collected	9,206	
Trustee's Commission	110,631	
Total Miscellaneous		\$ 137,936

Principal on DebtGeneral Government

Principal on Capital Leases	\$ 97,916	
Total General Government		97,916

Interest on DebtGeneral Government

Interest on Capital Leases	\$ 13,282	
Total General Government		<u>13,282</u>

Total General Fund \$ 7,617,242

Solid Waste/Sanitation FundPublic Health and WelfareSanitation Management

Supervisor/Director	\$ 48,029	
Longevity Pay	3,100	
Social Security	2,987	
Pensions	3,973	
Medical Insurance	9,780	
Employer Medicare	698	
Liability Insurance	6,616	
Workers' Compensation Insurance	28,697	
Total Sanitation Management		\$ 103,880

Sanitation Education/Information

Supervisor/Director	\$ 14,417	
Attendants	14,211	
Social Security	1,775	
Employer Medicare	415	
Advertising	1,175	
Gasoline	1,055	
Instructional Supplies and Materials	936	
Vehicle Parts	517	
Other Supplies and Materials	1,409	
Total Sanitation Education/Information		35,910

Waste Pickup

Truck Drivers	\$ 43,377	
Part-time Personnel	5,743	
Longevity Pay	500	
Overtime Pay	903	

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Solid Waste/Sanitation Fund (Cont.)Public Health and Welfare (Cont.)Waste Pickup (Cont.)

Social Security	\$	2,895	
Pensions		3,479	
Medical Insurance		18,918	
Employer Medicare		677	
Licenses		75	
Other Contracted Services		290,221	
Equipment and Machinery Parts		4,235	
Gasoline		7,121	
Lubricants		2,477	
Tires and Tubes		4,930	
Solid Waste Equipment		9,365	
Total Waste Pickup			\$ 394,916

Convenience Centers

Attendants	\$	187,761	
Longevity Pay		5,000	
Overtime Pay		1,734	
Other Salaries and Wages		6,434	
Social Security		10,862	
Pensions		10,764	
Medical Insurance		64,006	
Employer Medicare		2,535	
General Construction Materials		5,107	
Gravel and Chert		1,231	
Other Supplies and Materials		3,274	
Total Convenience Centers			298,708

Recycling Center

Supervisor/Director	\$	24,816	
Part-time Personnel		25,104	
Longevity Pay		400	
Social Security		3,005	
Pensions		1,959	
Medical Insurance		14,220	
Employer Medicare		703	
Communication		1,905	
Electricity		1,294	
Gasoline		2,037	
Vehicle Parts		2,149	
Water and Sewer		402	
Other Supplies and Materials		553	
Total Recycling Center			78,547

Landfill Operation and Maintenance

Attendants	\$	23,215	
Longevity Pay		100	
Overtime Pay		146	

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Solid Waste/Sanitation Fund (Cont.)Public Health and Welfare (Cont.)Landfill Operation and Maintenance (Cont.)

Social Security	\$	1,300	
Pensions		361	
Medical Insurance		8,939	
Employer Medicare		362	
Communication		6,840	
Maintenance and Repair Services - Equipment		70,634	
Rentals		4,483	
Electricity		13,988	
Equipment and Machinery Parts		5,879	
Gasoline		12,694	
General Construction Materials		8,355	
Lubricants		704	
Natural Gas		378	
Office Supplies		352	
Water and Sewer		2,077	
Landfill Closure/Postclosure Care Costs		8,295	
Site Development		3,478	
Total Landfill Operation and Maintenance			\$ 172,580

Other OperationsOther Charges

Trustee's Commission	\$	18,804	
Total Other Charges			18,804

Miscellaneous

Life Insurance	\$	260	
Unemployment Compensation		1,160	
Total Miscellaneous			1,420

Principal on DebtGeneral Government

Principal on Capital Leases	\$	38,636	
Total General Government			38,636

Interest on DebtGeneral Government

Interest on Capital Leases	\$	3,484	
Total General Government			3,484

Total Solid Waste/Sanitation Fund \$ 1,146,885

Drug Control FundPublic SafetyDrug Enforcement

In-service Training	\$	2,142	
Contributions		200	
Confidential Drug Enforcement Payments		400	

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Drug Control Fund (Cont.)Public Safety (Cont.)Drug Enforcement (Cont.)

Rentals	\$	4,200	
Towing Services		1,585	
Veterinary Services		543	
Other Contracted Services		9,379	
Animal Food and Supplies		748	
Instructional Supplies and Materials		471	
Uniforms		782	
Other Supplies and Materials		600	
Trustee's Commission		609	
Law Enforcement Equipment		2,677	
Total Drug Enforcement			\$ 24,336

Total Drug Control Fund \$ 24,336

Constitutional Officers - Fees FundFinanceCounty Clerk's Office

Constitutional Officers' Operating Expenses	\$	82	
Total County Clerk's Office			\$ 82

Administration of JusticeChancery Court

Deputy(ies)	\$	20,657	
Special Commissioner Fees/Special Master Fees		660	
Constitutional Officers' Operating Expenses		9,078	
Office Equipment		1,786	
Total Chancery Court			32,181

Total Constitutional Officers - Fees Fund 32,263

Highway/Public Works FundHighwaysAdministration

County Official/Administrative Officer	\$	70,228	
Secretary(ies)		23,860	
Longevity Pay		500	
Social Security		5,621	
Pensions		7,349	
Employee and Dependent Insurance		19,559	
Employer Medicare		1,315	
Dues and Memberships		3,095	
Legal Notices, Recording, and Court Costs		238	
Maintenance and Repair Services - Office Equipment		2,428	
Travel		330	
Office Supplies		1,550	
Other Charges		669	
Total Administration			\$ 136,742

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)Highways (Cont.)Highway and Bridge Maintenance

Foremen	\$	47,538	
Equipment Operators		69,135	
Truck Drivers		89,518	
Laborers		68,655	
Part-time Personnel		43,251	
Longevity Pay		14,500	
Social Security		19,246	
Pensions		19,497	
Employee and Dependent Insurance		93,633	
Employer Medicare		4,501	
Rentals		1,925	
Other Contracted Services		68,878	
Asphalt - Hot Mix		75,837	
Asphalt - Liquid		350,341	
Crushed Stone		246,425	
Pipe - Metal		38,912	
Road Signs		2,826	
Sand		153	
Small Tools		60	
Structural Steel		666	
Total Highway and Bridge Maintenance			\$ 1,255,497

Operation and Maintenance of Equipment

Mechanic(s)	\$	61,283	
Part-time Personnel		1,210	
Longevity Pay		3,750	
Social Security		3,840	
Pensions		5,129	
Employee and Dependent Insurance		15,882	
Employer Medicare		898	
Other Contracted Services		29,511	
Diesel Fuel		74,654	
Equipment and Machinery Parts		52,634	
Garage Supplies		5,801	
Gasoline		35,129	
Lubricants		3,673	
Small Tools		724	
Tires and Tubes		14,587	
Uniforms		6,219	
Total Operation and Maintenance of Equipment			314,924

Other Charges

Communication	\$	5,592	
Electricity		12,825	
Natural Gas		2,380	
Water and Sewer		1,460	
Liability Insurance		35,915	

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

Highway/Public Works Fund (Cont.)Highways (Cont.)Other Charges (Cont.)

Trustee's Commission	\$	20,159	
Other Charges		<u>90</u>	
Total Other Charges			\$ 78,421

Employee Benefits

Life Insurance	\$	277	
Unemployment Compensation		1,057	
Workers' Compensation Insurance		<u>27,758</u>	
Total Employee Benefits			29,092

Capital Outlay

Communication Equipment	\$	2,365	
Highway Equipment		184,862	
Motor Vehicles		11,126	
State Aid Projects		<u>742,999</u>	
Total Capital Outlay			<u>941,352</u>

Total Highway/Public Works Fund \$ 2,756,028

General Debt Service FundPrincipal on DebtGeneral Government

Principal on Notes	\$	71,213	
Principal on Other Loans		<u>233,000</u>	
Total General Government			\$ 304,213

Education

Principal on Bonds	\$	365,000	
Principal on Notes		27,135	
Principal on Capital Leases		65,488	
Principal on Other Loans		<u>670,000</u>	
Total Education			1,127,623

Interest on DebtGeneral Government

Interest on Other Loans	\$	<u>135,658</u>	
Total General Government			135,658

Education

Interest on Bonds	\$	119,535	
Interest on Notes		2,699	
Interest on Capital Leases		10,498	
Interest on Other Loans		<u>565,392</u>	
Total Education			698,124

(Continued)

Exhibit J-7

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types (Cont.)

General Debt Service Fund (Cont.)

Other Debt Service

General Government

Fiscal Agent Charges	\$	12,275	
Trustee's Commission		21,449	
Total General Government			\$ 33,724

Total General Debt Service Fund \$ 2,299,342

General Capital Projects Fund

Capital Projects

Public Safety Projects

Other Charges	\$	24,856	
Other Equipment		9,000	
Total Public Safety Projects			\$ 33,856

Public Health and Welfare Projects

Other Contracted Services	\$	5,447	
Other Equipment		1,034	
Other Construction		747,899	
Total Public Health and Welfare Projects			754,380

Social, Cultural, and Recreation Projects

Other Equipment	\$	4,000	
Total Social, Cultural, and Recreation Projects			4,000

Total General Capital Projects Fund 792,236

Total Governmental Funds - Primary Government \$ 14,668,332

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department
For the Year Ended June 30, 2016

General Purpose School FundInstructionRegular Instruction Program

Teachers	\$ 7,179,132	
Career Ladder Program	64,000	
Homebound Teachers	1,790	
Salary Supplements	292,865	
Educational Assistants	372,232	
Certified Substitute Teachers	45,045	
Non-certified Substitute Teachers	101,855	
Social Security	502,384	
Pensions	699,138	
Life Insurance	3,008	
Medical Insurance	1,209,996	
Dental Insurance	44,679	
Employer Medicare	114,955	
Instructional Supplies and Materials	41,158	
Textbooks	31,218	
Fee Waivers	23,500	
Other Charges	13,967	
Total Regular Instruction Program		\$ 10,740,922

Special Education Program

Teachers	\$ 841,286	
Career Ladder Program	6,000	
Homebound Teachers	10,675	
Educational Assistants	90,077	
Other Salaries and Wages	8,496	
Certified Substitute Teachers	3,000	
Non-certified Substitute Teachers	7,000	
Social Security	58,784	
Pensions	82,465	
Life Insurance	776	
Medical Insurance	128,928	
Dental Insurance	4,863	
Employer Medicare	13,748	
Other Contracted Services	171,035	
Instructional Supplies and Materials	16,464	
Total Special Education Program		1,443,597

Vocational Education Program

Teachers	\$ 552,872	
Career Ladder Program	2,000	
Secretary(ies)	20,152	
Educational Assistants	15,480	
Social Security	35,561	
Pensions	51,943	
Life Insurance	527	
Medical Insurance	93,714	

(Continued)

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Instruction (Cont.)Vocational Education Program (Cont.)

Dental Insurance	\$	3,864	
Employer Medicare		8,317	
Instructional Supplies and Materials		13,955	
Total Vocational Education Program			\$ 798,385

Support ServicesAttendance

Supervisor/Director	\$	69,191	
Social Security		4,056	
Pensions		6,169	
Life Insurance		35	
Medical Insurance		14,536	
Employer Medicare		949	
Communication		307	
Travel		2,749	
Other Contracted Services		96,053	
Total Attendance			194,045

Health Services

Supervisor/Director	\$	67,991	
Career Ladder Program		1,000	
Medical Personnel		46,272	
Clerical Personnel		25,455	
Other Salaries and Wages		138,435	
Social Security		17,131	
Pensions		22,553	
Life Insurance		279	
Medical Insurance		34,054	
Dental Insurance		1,367	
Employer Medicare		4,007	
Communication		529	
Travel		9,428	
Drugs and Medical Supplies		5,404	
Other Supplies and Materials		1,523	
Other Charges		4,950	
Total Health Services			380,378

Other Student Support

Career Ladder Program	\$	1,000	
Guidance Personnel		307,831	
Other Salaries and Wages		13,484	
Social Security		19,930	
Pensions		26,469	
Life Insurance		217	
Medical Insurance		22,960	
Dental Insurance		1,089	

(Continued)

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Other Student Support (Cont.)

Employer Medicare	\$	4,661	
Contracts with Government Agencies		59,204	
Evaluation and Testing		5,794	
Travel		14,505	
Other Supplies and Materials		8,303	
Other Charges		5,768	
Total Other Student Support			\$ 491,215

Regular Instruction Program

Supervisor/Director	\$	42,533	
Career Ladder Program		4,667	
Librarians		303,647	
Instructional Computer Personnel		216,982	
Salary Supplements		34,000	
Secretary(ies)		40,260	
Social Security		38,731	
Pensions		54,935	
Life Insurance		414	
Medical Insurance		97,825	
Dental Insurance		2,844	
Employer Medicare		9,060	
Communication		3,974	
Travel		2,572	
Other Contracted Services		43,616	
Library Books/Media		12,420	
Other Charges		563	
Other Equipment		234,202	
Total Regular Instruction Program			1,143,245

Special Education Program

Supervisor/Director	\$	67,238	
Career Ladder Program		3,000	
Clerical Personnel		28,495	
Social Security		6,090	
Pensions		8,564	
Life Insurance		55	
Medical Insurance		10,051	
Dental Insurance		295	
Employer Medicare		1,424	
Communication		727	
Maintenance and Repair Services - Equipment		629	
Postal Charges		82	
Travel		4,574	
Other Contracted Services		128,012	
In Service/Staff Development		13,617	
Other Charges		15,014	
Total Special Education Program			287,867

(Continued)

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Vocational Education Program

Supervisor/Director	\$	73,039	
Social Security		4,475	
Pensions		6,603	
Life Insurance		35	
Medical Insurance		6,775	
Dental Insurance		215	
Employer Medicare		1,047	
Travel		585	
Total Vocational Education Program			\$ 92,774

Other Programs

On-behalf Payments to OPEB	\$	61,633	
Total Other Programs			61,633

Board of Education

Board and Committee Members Fees	\$	10,875	
Social Security		615	
Unemployment Compensation		26,113	
Employer Medicare		144	
Payments to Retirees		67,000	
Audit Services		5,250	
Legal Services		247	
Travel		9,741	
Other Contracted Services		18,246	
Liability Insurance		198,624	
Trustee's Commission		101,639	
Workers' Compensation Insurance		188,933	
Other Charges		12,199	
Total Board of Education			639,626

Director of Schools

County Official/Administrative Officer	\$	95,000	
Assistant(s)		69,338	
Career Ladder Program		1,000	
Secretary(ies)		30,458	
Social Security		11,813	
Pensions		17,167	
Life Insurance		90	
Medical Insurance		21,265	
Dental Insurance		510	
Employer Medicare		2,763	
Communication		10,085	
Dues and Memberships		3,069	
Travel		10,704	
Other Contracted Services		19,880	
Office Supplies		1,108	
Other Charges		44,357	
Total Director of Schools			338,607

(Continued)

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Office of the Principal

Principals	\$	476,431	
Career Ladder Program		15,000	
Assistant Principals		334,837	
Secretary(ies)		142,209	
Clerical Personnel		89,676	
Other Salaries and Wages		7,550	
Social Security		65,295	
Pensions		90,049	
Life Insurance		691	
Medical Insurance		102,253	
Dental Insurance		2,554	
Employer Medicare		15,270	
Communication		18,014	
Travel		276	
Other Contracted Services		62,331	
Total Office of the Principal			\$ 1,422,436

Operation of Plant

Custodial Personnel	\$	601,595	
Other Salaries and Wages		46,895	
Social Security		40,043	
Pensions		50,313	
Life Insurance		608	
Medical Insurance		82,914	
Dental Insurance		264	
Employer Medicare		9,365	
Other Contracted Services		37,416	
Custodial Supplies		71,770	
Electricity		733,852	
Natural Gas		104,130	
Water and Sewer		83,918	
Other Charges		119	
Total Operation of Plant			1,863,202

Maintenance of Plant

Supervisor/Director	\$	47,361	
Maintenance Personnel		100,123	
Social Security		9,128	
Pensions		11,459	
Life Insurance		116	
Medical Insurance		17,187	
Dental Insurance		295	
Employer Medicare		2,135	
Communication		1,482	
Maintenance and Repair Services - Buildings		80,640	
Travel		200	

(Continued)

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Support Services (Cont.)Maintenance of Plant (Cont.)

Other Contracted Services	\$	81,327	
Other Supplies and Materials		8,783	
Other Charges		40,177	
Maintenance Equipment		13,183	
Total Maintenance of Plant			\$ 413,596

Transportation

Supervisor/Director	\$	50,362	
Mechanic(s)		56,567	
Bus Drivers		430,692	
Social Security		33,152	
Pensions		38,859	
Life Insurance		594	
Medical Insurance		13,659	
Dental Insurance		303	
Employer Medicare		7,752	
Communication		1,687	
Travel		5,959	
Other Contracted Services		15,890	
Diesel Fuel		68,419	
Equipment and Machinery Parts		9,945	
Gasoline		28,954	
Lubricants		4,715	
Natural Gas		5,165	
Propane Gas		15,051	
Tires and Tubes		22,447	
Vehicle Parts		51,065	
Other Charges		22,247	
Transportation Equipment		247,230	
Total Transportation			1,130,714

Operation of Non-instructional ServicesEarly Childhood Education

Supervisor/Director	\$	22,903	
Teachers		492,843	
Bus Drivers		53,705	
Clerical Personnel		11,073	
Educational Assistants		246,083	
Non-certified Substitute Teachers		6,395	
Social Security		50,820	
Pensions		68,535	
Life Insurance		544	
Medical Insurance		91,046	
Dental Insurance		2,157	
Employer Medicare		11,885	
Travel		20,468	

(Continued)

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

General Purpose School Fund (Cont.)Operation of Non-instructional Services (Cont.)Early Childhood Education (Cont.)

Other Contracted Services	\$	7,364	
Food Supplies		7,425	
Instructional Supplies and Materials		46,947	
Other Supplies and Materials		1,039	
In Service/Staff Development		1,149	
Other Charges		6,008	
Other Equipment		1,430	
Total Early Childhood Education			\$ 1,149,819

Other Debt ServiceEducation

Fiscal Agent Charges	\$	706	
Debt Service Contribution to Primary Government		590,355	
Total Education			591,061

Total General Purpose School Fund \$ 23,183,122

School Federal Projects FundInstructionRegular Instruction Program

Teachers	\$	437,829	
Educational Assistants		29,607	
Bonus Payments		80,754	
Other Salaries and Wages		6,854	
Certified Substitute Teachers		2,714	
Non-certified Substitute Teachers		2,063	
Social Security		34,228	
Pensions		49,540	
Life Insurance		305	
Medical Insurance		72,871	
Dental Insurance		2,411	
Unemployment Compensation		3,026	
Employer Medicare		8,005	
Other Contracted Services		51,930	
Instructional Supplies and Materials		23,225	
Other Charges		2,072	
Regular Instruction Equipment		66,172	
Total Regular Instruction Program			\$ 873,606

Special Education Program

Educational Assistants	\$	368,383	
Speech Pathologist		41,996	
Certified Substitute Teachers		2,430	
Non-certified Substitute Teachers		2,940	
Social Security		25,635	
Pensions		31,736	

(Continued)

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

School Federal Projects Fund (Cont.)Instruction (Cont.)Special Education Program (Cont.)

Life Insurance	\$	506	
Medical Insurance		27,537	
Unemployment Compensation		3,654	
Employer Medicare		5,993	
Other Contracted Services		90,342	
Instructional Supplies and Materials		437	
Total Special Education Program			\$ 601,589

Vocational Education Program

Maintenance and Repair Services - Equipment	\$	1,423	
Instructional Supplies and Materials		1,730	
Vocational Instruction Equipment		31,549	
Total Vocational Education Program			34,702

Support ServicesOther Student Support

Other Salaries and Wages	\$	1,600	
Travel		4,933	
Other Contracted Services		870	
In Service/Staff Development		8,662	
Other Charges		11,757	
Total Other Student Support			27,822

Regular Instruction Program

Supervisor/Director	\$	67,494	
Secretary(ies)		24,304	
Other Salaries and Wages		187,086	
Certified Substitute Teachers		3,072	
Non-certified Substitute Teachers		853	
Social Security		17,432	
Pensions		24,731	
Life Insurance		185	
Medical Insurance		30,139	
Dental Insurance		986	
Unemployment Compensation		1,120	
Employer Medicare		4,078	
Communication		422	
Postal Charges		49	
Travel		47,890	
Other Contracted Services		38,675	
Other Supplies and Materials		2,446	
In Service/Staff Development		19,890	
Other Charges		6,770	
Other Equipment		1,145	
Total Regular Instruction Program			478,767

(Continued)

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

School Federal Projects Fund (Cont.)Support Services (Cont.)Special Education Program

Other Salaries and Wages	\$	8,581	
Social Security		532	
Pensions		776	
Unemployment Compensation		122	
Employer Medicare		124	
Other Contracted Services		104,079	
Total Special Education Program			\$ 114,214

Vocational Education Program

In Service/Staff Development	\$	2,663	
Total Vocational Education Program			2,663

Office of the Principal

Bonus Payments	\$	7,000	
Social Security		435	
Pensions		665	
Employer Medicare		102	
Total Office of the Principal			<u>8,202</u>

Total School Federal Projects Fund \$ 2,141,565

Central Cafeteria FundOperation of Non-instructional ServicesFood Service

Supervisor/Director	\$	60,079	
Clerical Personnel		27,745	
Cafeteria Personnel		516,631	
Social Security		37,249	
Pensions		44,641	
Life Insurance		728	
Medical Insurance		37,198	
Dental Insurance		274	
Employer Medicare		8,711	
Maintenance and Repair Services - Equipment		73,858	
Travel		1,838	
Other Contracted Services		44,123	
Food Preparation Supplies		52,945	
Food Supplies		818,081	
Office Supplies		799	
Uniforms		3,242	
USDA - Commodities		111,499	
Other Supplies and Materials		388	
In Service/Staff Development		6,605	
Other Charges		1,326	
Food Service Equipment		153,523	
Total Food Service			\$ 2,001,483

(Continued)

Exhibit J-8

Morgan County, Tennessee
Schedule of Detailed Expenditures -
All Governmental Fund Types
Discretely Presented Morgan County School Department (Cont.)

Central Cafeteria Fund (Cont.)

Operation of Non-instructional Services (Cont.)

Community Services

Part-time Personnel	\$	15,952	
Social Security		989	
Pensions		1,049	
Employer Medicare		231	
Maintenance and Repair Services - Equipment		2,818	
Travel		622	
Food Preparation Supplies		2,828	
Food Supplies		54,712	
Total Community Services			<u>\$ 79,201</u>

Total Central Cafeteria Fund \$ 2,080,684

Total Governmental Funds - Morgan County School Department \$ 27,405,371

Exhibit J-9

Morgan County, Tennessee
Schedule of Detailed Receipts, Disbursements,
and Changes in Cash Balances - City Agency Funds
For the Year Ended June 30, 2016

	Cities - Sales Tax Fund	Cities - Property Tax Fund	Total
<u>Cash Receipts</u>			
Current Property Tax	\$ 0	\$ 52,131	\$ 52,131
Interest and Penalty	0	1,049	1,049
Local Option Sales Tax	387,317	6,614	393,931
Total Cash Receipts	<u>\$ 387,317</u>	<u>\$ 59,794</u>	<u>\$ 447,111</u>
<u>Cash Disbursements</u>			
Remittance of Revenues Collected	\$ 383,444	\$ 58,597	\$ 442,041
Trustee's Commission	3,873	1,197	5,070
Total Cash Disbursements	<u>\$ 387,317</u>	<u>\$ 59,794</u>	<u>\$ 447,111</u>
Excess of Cash Receipts Over (Under) Cash Disbursements	\$ 0	\$ 0	\$ 0
Cash Balance, July 1, 2015	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance, June 30, 2016	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

SINGLE AUDIT SECTION



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
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**Independent Auditor's Report on Internal Control Over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards***

Morgan County Executive and
Board of County Commissioners
Morgan County, Tennessee

To the County Executive and Board of County Commissioners:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements, and have issued our report thereon dated December 9, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morgan County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morgan County's internal control. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 2016-001 and 2016-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morgan County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and is described in the accompanying Schedule of Findings and Questioned Costs as item: 2016-002.

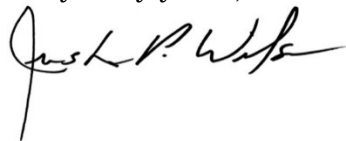
Morgan County's Responses to the Findings

Morgan County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Morgan County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Morgan County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 9, 2016

JPW/sb



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841

**Independent Auditor's Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

Morgan County Executive and
Board of County Commissioners
Morgan County, Tennessee

To the County Executive and Board of County Commissioners:

Report on Compliance for Each Major Federal Program

We have audited Morgan County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Morgan County's major federal programs for the year ended June 30, 2016. Morgan County's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Morgan County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether

noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Morgan County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Morgan County's compliance.

Opinion on Each Major Federal Program

In our opinion, Morgan County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Morgan County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Morgan County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Morgan County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

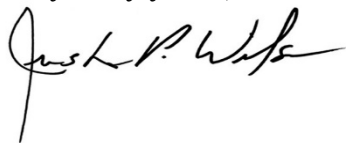
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Morgan County, Tennessee, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Morgan County's basic financial statements. We issued our report thereon dated December 9, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Very truly yours,



Justin P. Wilson
Comptroller of the Treasury
Nashville, Tennessee

December 9, 2016

JPW/sb

Morgan County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (2)
For the Year-Ended June 30, 2016

Federal/Pass-Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Agriculture:			
Direct Program:			
Emergency Watershed Protection Program, Recovery Act	10.923	N/A	\$ 11,813
Passed-through State Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	592,696
National School Lunch Program	10.555	N/A	1,436,139 (4)
Healthy, Hunger-free Kids Act of 2010 Childhood Hunger Research and Demonstration Projects	10.592	N/A	3,150
Passed-through State Department of Agriculture:			
National School Lunch Program (Commodities - Noncash Assistance)	10.555	N/A	111,499 (4)
Passed-through State Department of Health and Human Services:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	GG-16-45596	3,596
Total U.S. Department of Agriculture			<u>\$ 2,158,893</u>
U.S. Department of Military:			
Passed-through State Department of General Services:			
Section 1033 Excess Property Program (Noncash Assistance)	12.U01	N/A	\$ 42,885 (5)
Total U.S. Department of Military			<u>\$ 42,885</u>
U.S. Department of Housing and Urban Development:			
Passed-through Tennessee Housing Development Agency:			
Community Development Block Grants/State's Program	14.228	(3)	\$ 389,158
Total U.S. Department of Housing and Urban Development			<u>\$ 389,158</u>
U.S. Department of Transportation:			
Passed-through State Department of Transportation:			
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	(3)	\$ 7,081
Total U.S. Department of Transportation			<u>\$ 7,081</u>
U.S. Department of Education:			
Passed-through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 884,469
Special Education Cluster:			
Special Education-Grants to States	84.027	N/A	705,478
Special Education - Preschool Grants	84.173	N/A	36,899
Career and Technical Education - Basic Grants to States	84.048	N/A	53,430
Rural Education	84.358	N/A	32,139
Improving Teacher Quality State Grants	84.367	N/A	134,175
Teacher Incentive Fund	84.374	N/A	295,968
Total U.S. Department of Education			<u>\$ 2,142,558</u>
U.S. Department of Health and Human Services:			
Passed-through State Department of Health and Human Services:			
Family Planning - Services	93.217	GG-16-45596	\$ 545
Medical Assistance Program	93.778	GG-16-45596	2,375
HIV Prevention Activities - Health Department Based	93.940	GG-16-45596	48
Maternal and Child Health Services Block Grant to the States	93.994	GG-16-45596	1,132
Total U.S. Department of Health and Human Services			<u>\$ 4,100</u>

(Continued)

Morgan County, Tennessee
Schedule of Expenditures of Federal Awards and State Grants (1) (2) (Cont.)

Federal/Pass-Through Agency/State Grantor Program Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures
U.S. Department of Homeland Security:			
Passed-through State Department of Military:			
Disaster Grants - Public Assistance	97.036	(3)	\$ 236,205
Emergency Management Performance Grants	97.042	(3)	7,924
Homeland Security Grant Program	97.067	(3)	7,400
Total U.S. Department of Homeland Security			<u>\$ 251,529</u>
Total Expenditures of Federal Grants			<u>\$ 4,996,204</u>

State Grants		Contract Number	
Health Department Program - State Department of Health	N/A	GG-16-45596	\$ 14,422
Adult Drug Court - State Administrative Offices of the Court	N/A	(3)	56,299
Juvenile Services Program - State Children's Services Commission		(3)	13,845
Student Ticket Subsidy Grant - Tennessee Arts Commission	N/A	(3)	1,075
Family Resource Center	N/A	(3)	26,877
Safe Schools - State Department of Education	N/A	(3)	20,510
Coordinated School Health - State Department of Education	N/A	(3)	102,734
FastTrack Infrastructure Development Program - State Department of Economic and Community Development	N/A	(3)	200,000
ConnecTenn - State Department of Education	N/A	(3)	8,202
Litter Program - State Department of Transportation	N/A	(3)	33,350
Waste Tire Grant	N/A	(3)	4,539
Used Oil Grant - State Department of Environment and Conservation	N/A	(3)	11,505
Recycling Equipment Grant - State Department of Environment and Conservation	N/A	(3)	17,421
Three-Star 911 Grant - State Department of Economic and Community Development	N/A	(3)	9,936
Tennessee Clean Energy Grant Program - State Department of Economic and Community Development	N/A	(3)	41,391
Archives Equipment Grant - Tennessee Secretary of State	N/A	(3)	4,000
Disaster Grants State Portion of 97.036 - Tennessee Emergency Management Agency	N/A	(3)	25,546
Driver's Education - State Department of Education	N/A	(3)	16,736
Early Childhood Education - State Department of Education	N/A	(3)	645,549
Total State Grants			<u>\$ 1,253,937</u>

CFDA = Catalog of Federal Domestic Assistance
N/A = Not Applicable

- (1) Presented in conformity with generally accepted accounting principles using the modified accrual basis of accounting.
- (2) Morgan County elected not to use the 10% de minimus cost rate permitted in the Uniform Guidance.
- (3) Information not available.
- (4) Total for CFDA No. 10.555 is \$1,547,638
- (5) During the year ended June 30, 2016, Morgan County received excess military equipment from the U.S. Department of Military valued at \$42,885.

Morgan County, Tennessee
Summary Schedule of Prior-year Findings
For the Year Ended June 30, 2016

Government Auditing Standards require auditors to report the status of uncorrected findings from prior audits. In addition, OMB's Uniform Guidance requires auditees to report the status of all prior-year findings whether corrected or not. Presented below are financial statement findings along with their current status from the Annual Financial Report for Morgan County, Tennessee, for the year ended June 30, 2016.

Prior-year Financial Statement Findings

Fiscal Year	Page Number	Finding Number	Title of Finding	CFDA Number	Current Status
2015	174	2015-001	Some Bank Statements were not Reconciled with the General Ledger in a Timely Manner in the Office of Trustee	N/A	Not Corrected - See Explanation on Corrective Action Plan
2015	174	2015-002	The Trustee did not Require a Depository to Adequately Collateralize Funds	N/A	Corrected
2015	175	2015-003	Warranty Deeds Filed in the Office did not Appear to Reflect an Accurate Value of the Property	N/A	Corrected
2015	176	2015-004	The Offices of Director of Finance, Register of Deeds, and Sheriff had a Lack of Segregation of Duties	N/A	Not Corrected - See Explanation on Corrective Action Plan

Prior-year Federal Award Findings

There were no prior-year federal award findings to report.

MORGAN COUNTY, TENNESSEE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

PART I, SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

1. Our report on the financial statements of Morgan County is unmodified.
2. Internal Control Over Financial Reporting:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **YES**
3. Noncompliance material to the financial statements noted? **NO**

Federal Awards:

4. Internal Control Over Major Federal Programs:
 - * Material weakness identified? **NO**
 - * Significant deficiency identified? **NONE REPORTED**
5. Type of report auditor issued on compliance for major programs: **UNMODIFIED**
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **NO**
7. Identification of Major Federal Programs:
 - * CFDA Numbers: 10.553, and 10.555 Nutrition Cluster: School Breakfast Program and National School Lunch Program
8. Dollar threshold used to distinguish between Type A and Type B Programs: **\$750,000**
9. Auditee qualified as low-risk auditee? **YES**

PART II, FINDINGS RELATING TO THE FINANCIAL STATEMENTS

Findings and recommendations, as a result of our audit, are presented below. We reviewed these findings and recommendations with management to provide an opportunity for their response. Written responses are paraphrased and presented following each finding and recommendation. The director of finance, trustee, register of deeds, and sheriff provided corrective action plans, which are paraphrased and presented separately in the Management's Corrective Action Plan in the Single Audit Section of this report.

Findings related specifically to the audit of federal awards, if any, are separately presented under Part III, Findings and Questioned Costs for Federal Awards.

OFFICE OF TRUSTEE

FINDING 2016-001

BANK STATEMENTS WERE NOT RECONCILED WITH THE GENERAL LEDGER IN A TIMELY MANNER

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Bank statements for the trustee's bank accounts were not accurately reconciled with the general ledger in a timely manner. The trustee had attempted to reconcile the accounts; however, immaterial differences were reflected on the reconciliations on June 30, 2016, which had not been identified and corrected on a timely basis. These unidentified reconciling differences had accumulated during the year. These differences had not been identified or corrected when auditors arrived in November 2016. Sound business practices dictate that bank statements should be reconciled with the general ledger monthly and that differences should be identified and corrected promptly. These deficiencies were the result of the trustee failing to accurately reconcile the accounts on a current basis and failing to identify the reasons for any reconciling differences.

RECOMMENDATION

Bank statements should be reconciled with the general ledger monthly, and any differences discovered should be corrected promptly.

MANAGEMENT'S RESPONSE – TRUSTEE

I've reviewed the 2015-2016 audit findings and am deeply sorry I got behind in my duties. I am working towards getting this matter corrected at this time.

OFFICE OF SHERIFF

FINDING 2016-002

THE SHERIFF HAD NOT FORMALLY DOCUMENTED INTERNAL CONTROLS

(Noncompliance Under *Government Auditing Standards*)

Section 9-18-102(a), *Tennessee Code Annotated (TCA)*, requires each county government to establish and maintain internal controls to provide reasonable assurance for compliance with applicable laws, the safeguarding of assets, and proper accountability for the preparation of accurate and reliable financial records and reports. These provisions became effective for the fiscal year ended June 30, 2016. The sheriff had not formally documented internal controls for office operations to verify compliance with the above-noted statute. Formal documentation could be in the form of printed or digital policies and procedures for the maintenance of controls, including the segregation of employees duties. Failure to implement and maintain internal controls could put public assets at risk of loss, misuse, or abuse.

RECOMMENDATION

The sheriff should formally document and maintain internal controls for office operations as required by Section 9-18-102(a), *TCA*.

MANAGEMENT'S RESPONSE - SHERIFF

We concur with this finding. We are in the process of writing and implementing our internal control policy to correct this finding.

OFFICES OF DIRECTOR OF FINANCE, REGISTER OF DEEDS, AND SHERIFF

FINDING 2016-003

DUTIES WERE NOT SEGREGATED ADEQUATELY

(Internal Control – Significant Deficiency Under *Government Auditing Standards*)

Duties were not segregated adequately among officials and employees in the Offices of Director of Finance, Register of Deeds, and Sheriff. Officials and employees responsible for maintaining accounting records were also involved in receipting, depositing, and/or disbursing funds. Sound business practices dictate that management is responsible for designing internal controls to provide reasonable assurance of the reliability of financial reporting and the effectiveness and efficiency of operations. This lack of segregation of duties is the result of management's decision based on the availability of financial resources and is a significant deficiency in internal controls that increases the risk of unauthorized transactions. Also, this deficiency is the result of management's failure to correct the finding noted in the prior-year audit report.

RECOMMENDATION

Officials should segregate duties to the extent possible using available resources.

MANAGEMENT'S RESPONSE – DIRECTOR OF FINANCE

It is my understanding that this finding is the result of our EMS department billing clerk. Due to financial constraints and limited resources, there is one billing clerk and one EMS director in this department. I consider this department separate from my Finance Office as it is in another physical location. We will utilize the segregation of duties checklist on the Division of Local Government Audit's website as a guide for how to adequately segregate duties in small offices.

MANAGEMENT'S RESPONSE – REGISTER OF DEEDS

We concur with this finding. Our office has not had the resources available to accommodate this, and we have done the best we can with the resources available.

MANAGEMENT'S RESPONSE – SHERIFF

We concur with this finding, but we already have filed a lawsuit against the county for additional funds. Our office has not had the resources available to accommodate this and we have done the best we can with the resources available.

PART III, FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings and questioned costs related to federal awards for the year ended June 30, 2016.

**Morgan County, Tennessee
Management's Corrective Action Plan
For the Year Ended June 30, 2016**

We reviewed the financial statement and federal award findings and recommendations with management to provide an opportunity for their response as required by the auditee requirements within Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Management's corrective action plans for all financial statement findings and federal award findings are presented below:

Corrective Action - Financial Statement Findings

OFFICE OF TRUSTEE

FINDING 2016-001 **BANK STATEMENTS WERE NOT RECONCILED WITH
THE GENERAL LEDGER IN A TIMELY MANNER**

Response and Corrective Action Plan Prepared by:	Cindi Jones, Trustee, Morgan County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	June 30, 2017
Repeat Finding:	Yes
Reason Why Corrective Action was Not Taken – PY	I made an attempt at correcting the problem, but was unable to identify the reasons for all reconciling differences.

Planned Corrective Action:

I'm going to seek outside help in reconciling these statements.

OFFICE OF SHERIFF

FINDING 2016-002 **THE SHERIFF HAD NOT FORMALLY DOCUMENTED
INTERNAL CONTROLS**

Response and Corrective Action Plan Prepared by:	Glendon Freytag, Sheriff, Morgan County, Tennessee
Person Responsible for Implementing the Corrective Action:	Same
Anticipated Completion Date of Corrective Action:	June 30, 2017
Repeat Finding:	No
Reason Why Corrective Action was Not Taken – PY	N/A

Planned Corrective Action:

I assigned Trevor Shadden, my Jail Administrator/Administrative Assistant, to implement internal controls as of December 1, 2016, and he has an estimated date to complete the internal controls and have them implemented as of Jan 6, 2017.

OFFICES OF DIRECTOR OF FINANCE, REGISTER OF DEEDS, AND SHERIFF

FINDING 2016-003

DUTIES WERE NOT SEGREGATED ADEQUATELY

Response and Corrective Action Plan Prepared by:

Gary Howard, Director of Finance; Sandy Leach-Dalton, Register of Deeds; and Glendon Freytag, Sheriff of Morgan County, Tennessee

Person Responsible for Implementing the Corrective Action:

Same

Anticipated Completion Date of Corrective Action:

June 30, 2017

Repeat Finding:

Yes

Reason Why Corrective Action was Not Taken – PY:

Director of Finance – Insufficient number of personnel.

Register of Deeds – Our office has not had the resources available to accommodate this and we do the best we can with the resources available.

Sheriff – Short staffed, not enough funding.

Planned Corrective Action:

Director of Finance:

We will utilize the segregation of duties checklist on the Division of Local Government Audit's website as a guide for how to adequately segregate duties in small offices.

Register of Deeds:

Our office has not had the resources available to accommodate this and we do the best we can with the resources available.

Sheriff:

We are in the middle of a lawsuit with Morgan County. I see no way to resolve this until funding for more employees is given to us by our county government.

Corrective Action – Federal Award Findings

There were no current-year federal award findings to report.